

The impact of the nature of organizational objective on the functionality of an entire management control package

A case study of a for-profit nursing home's production of a public nursing home service as part of its business

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### Abstract

The objective of this study is to address a gap in management control literature concerning management control packages in non-profit organizations. More specifically, this study focuses on explaining the less-developed state of management control of non-profit organizations compared to for-profit organizations.

The research question that is used for approaching the topic is as follows: does a for-profit organization whose activities are identical in nature to those of a non-profit organization's public service production suffer from management control problems like is characteristic of non-profit organizations. The combination of traits in the research question makes it possible to examine whether management control issues of non-profit organizations stem from the nature of activities or the nature of the objective.

The research question is approached with a case study where a case organization with very specific characteristics is chosen. The case organization is a private for-profit nursing home that produces public nursing services on behalf of a municipality based on a contract. In this arrangement, the private for-profit organization produces a public nursing home service, but it does so as part of its business.

To be able to answer the research question, a literature review is carried out to facilitate successful data gathering and analysis. The literature review consists of three main components; defining relevant concepts, establishing the tools for empirical inquiry and presenting prior literature's views on management control in non-profit organizations. Then, the theoretical framework is employed to guide in conducting and analyzing interviews with key personnel in the case organization.

As the main observations of the analysis, extensive complementary interdependencies between management control components within the management control package were found, no substitute interdependencies could be identified and each management control component properly fulfills a role in either serving as a core management control component that guides employees towards successful fulfillment of the nursing home's value proposition or as a supplementary management control component for the former. Overall, to answer the research question, the functionality of the management control package can be deemed high.

There are certain conclusions that can be derived from the observations. Most importantly, the high functionality of the management control package despite the nature of activities suggests the possibility that the management control issues that are common in non-profit organizations aren't related to the nature of activities but the nature of organizational objective. While the weaknesses of this study prevent strong conclusions to be drawn, the findings nevertheless indicate that it could be fruitful for future studies to delve into the relationship between nature of organizational objectives and functionality of management control packages.

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**Keywords** management control, package, non-profit

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## Tiivistelmä

Tämän tutkimuksen tavoitteena on puuttua johdon ohjauksen kirjallisuudessa esiintyvään aukkoon, joka koskee johdon ohjauksen paketteja voittoa tavoittelemattomissa organisaatioissa. Tarkemmin sanottuna, tämä tutkimus keskittyy etsimään selitystä johdon ohjauksen heikommin kehittyneelle tilalle voittoa tavoittelemattomissa organisaatioissa voittoa tavoitteleviin organisaatioihin verrattuna.

Tutkimuskysymys, jolla tätä aihetta lähestytään, on seuraavanlainen: esiintyykö voittoa tavoittelevalla organisaatiolla, jonka toiminta on luonteeltaan identtistä voittoa tavoittelemattoman julkisten palvelujen tuotannon kanssa, johdon laskennan ongelmia kuten on tyypillistä voittoa tavoittelemattomille organisaatioille. Kysymyksenasettelu yhdistelee voittoa tavoittelevan ja voittoa tavoittelemattoman organisaation piirteitä tavalla, joka mahdollistaa sen tutkimisen, johtuvatko voittoa tavoittelemattomien organisaatioiden ongelmat niiden toiminnan luonteesta vai niiden tavoitteen luonteesta.

Tutkimuskysymystä lähestytään tapaustutkimuksella, jonka kohdeorganisaatiolla on hyvin erityiset piirteet. Tapausorganisaatio on yksityinen voittoa tavoitteleva tehostetun palveluasumisen yksikkö, joka tuottaa julkista tehostettua palveluasumista kunnalle sopimuksen pohjalta. Tässä järjestelyssä kyseinen voittoa tavoitteleva organisaatio tuottaa julkista tehostetun palveluasumisen palvelua, mutta tekee sen osana liiketoimintaansa.

Jotta tutkimuskysymykseen voitaisiin vastata, toteutetaan kirjallisuuskatsaus edesauttamaan onnistunutta tiedonkeruuta ja analyysia. Kirjallisuuskatsaus koostuu kolmesta pääasiallisesta osasta; keskeisten käsitteiden määrittelemisestä, empiirisen tutkimuksen menetelmien valikoinnista ja johdon ohjausta voittoa tavoittelemattomissa organisaatioissa käsittelevän aiemman kirjallisuuden esittelemisestä. Tätä teoreettista viitekehystä hyödynnetään ohjaamaan avainasemassa olevien henkilöjen haastattelujen toteuttamisessa ja haastattelujen sisällön analysoinnissa.

Analyysin keskeiset havainnot ovat, että kohdeorganisaatiossa on kattavasti täydentäviä riippuvuussuhteita johdon ohjauskomponenttien välillä johdon ohjauksen paketin sisällä, korvaavia riippuvuussuhteita ei tunnistettu lainkaan ja jokainen johdon ohjauskomponentti paketissa toteuttaa roolia joko toimimalla johdon ohjauksen ydinkomponenttina tai tällaista tukevana komponenttina. Kaiken kaikkiaan on todettavissa, että johdon ohjauspaketin toimivuutta voidaan pitää korkeana.

Näistä havainnoista on johdettavissa tiettyjä johtopäätöksiä. Ennen kaikkea johdon ohjauspaketin korkea toimivuus huolimatta tapausorganisaation toiminnan luonteesta viittaa mahdollisuuteen, että voittoa tavoittelemattomien organisaatioiden ongelmat johdon ohjauksen kanssa eivät liity niiden toiminnan luonteeseen vaan niiden tavoitteen luonteeseen. Vaikka tutkimuksen heikkoudet estävät vahvojen johtopäätösten tekemistä, tutkimustulokset viittaavat siihen, että myöhempien tutkimusten voisi olla hedelmällistä perehtyä organisaation tavoitteiden luonteen ja johdon ohjauspaketin toimivuuden väliseen yhteyteen.

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**Avainsanat** johdon ohjaus, paketti, voittoa tavoittelematon

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## 1. Introduction

In order to achieve their objectives, organizations need to create congruence between them and the behavior of their employees. For this purpose, organizations employ management control. However, successful implementation and design of management control is highly challenging. Despite years of continuous research, only fragmented answers have been found regarding what constitutes effective management control in each context.

But even if no definite answers have been found, there has been clear progress. One of the most significant advances is how it has been increasingly recognized in management control research that each individual management control component employed in an organization has the capacity to influence the benefits of other management control components that are employed in the organization. In other words, the ability of an individual management control component to influence employee behavior can be enhanced, reduced or even redefined by other management control components that are employed simultaneously within the organization.

The concept of interdependency among management control components has the significant implication that the effectiveness of any single management control component can't be discerned in isolation. Instead, the actual effectiveness of any management control component can only be understood by taking all other management control components that exist in the organization at the same time into consideration.

Based on these insights, management control has been increasingly shifting from study of individual management controls towards study of entire management control packages. The recognition of the need to study management control in terms of overall packages rather than individual components is visible from numerous calls that have been made for further empirical research on the topic (see e.g. Kennedy & Widener 2008, Malmi & Brown 2008, Sandelin 2008, Tessier & Otley 2012, Grabner & Moers 2013, Bedford & Malmi 2015).

To contribute to this stream of inquiry, this study addresses a specific research gap that was identified in management control literature; management control packages in non-profit organizations.

The nature of said research gap is that non-profit organizations, despite their special characteristics, are generally overlooked in prior management control research. Instead,

vast majority of prior research focuses on for-profit organizations. Furthermore, the stream of research on management control packages overall is relatively fresh. Due to these factors, there appears to exist little to no research on management control packages in non-profit organizations.

However, according to what limited literature exists on the topic, the topic offers a promising avenue of research. There are clear indications in prior studies that non-profit organizations are facing different and greater challenges in terms of management control, and that management control is generally less developed in non-profit context (Hofstede 1981, Kaplan & Norton 2001, Merchant & Van der Stede 2007).

It must be noted that research on management control in non-profit context is very limited and partly flawed. One particularly notable shortcoming of prior research is that it has focused excessively on the fit of individual management control components.

Consequently, the poor fit of individual management control solutions due to the non-profit, indirect and public value of activities of non-profit organizations is offered as a reason for the less developed state of management control in non-profit organizations.

These notions of prior research on the topic are problematic in light of the management control package concept. While management control research in non-profit context has focused on individual management control components, the management control package concept argues that the value of any individual control component can only be understandable in the full management control context. In this study, the management control package approach will be applied to management control in non-profit context to address this issue in prior research.

But in order to approach the topic of management control in non-profit context compared to for-profit context, the fundamental differences between the two have to be identified. Namely, the discerning factor is found in the nature of the primary organizational objective; a for-profit organization's primary organizational objective is financial gain and a non-profit organization's primary organizational objective is the act of carrying out its mission per se.

Despite this fundamental difference, both types of organizations face similar control problem; they must get their employees to behave in a manner that is consistent with the organization's objective in order to achieve it. However, the types of activities can differ

between for-profit and non-profit context. But if the characteristics of activities could be eliminated, the impact of the nature of organizational objective on management control could be isolated and analyzed.

Put together, these considerations can be combined to study the characteristics of management control packages in for-profit and non-profit context through the following research question:

1. If a for-profit organization's activities are identical in nature to those of a non-profit organization, is the for-profit organization going to face the same management control issues that are deemed characteristic of non-profit organizations?

While the research question might sound excessively theoretical, it can be approached with the right research setting. To elaborate, municipalities are required by the law of Finland to provide social services to residents who need them. One of these services is nursing home services, a form of residential care that offers round-the-clock nursing. Municipalities can provide the service as their own production or by purchasing them from a private service producer. As a result, there are private, for-profit organizations that produce public services on behalf of municipalities as part of their business.

Such organizations present an ideal research setting for approaching this study's research question. Therefore, this study's case organization is a for-profit organization that produces nursing home services for elderly residents with memory illnesses on behalf of a municipality and has its customers directly assigned by said municipality.

To elaborate, while the case organization produces a public nursing home service (a non-profit activity by nature), it does it so for financial gain (a for-profit organizational objective). What this means is that the case organization's activities are the exact same as those of a non-profit organization, but the organizational objective remains that of a for-profit organization. By making the nature of activities between the two types of organizations constant in this manner, the nature of the organizational objective remains the sole explanation for potential differences in characteristics of management control packages.

The management control package approach is utilized in this study to form a full understanding of how management control functions in the case organization, both in



terms of individual management control components and overall. To this end, semi-structured interviews with key personnel are utilized to map the full range of control components and interdependencies among them within the case organization.

Once all management control components and interdependencies among them are identified and the interdependencies are thoroughly analyzed to explain the functionality of the management control package in terms of its ability to influence employee behavior to be aligned with the organization's strategy and objectives. The focus of the analysis is on determining the extent to which mutually reinforcing interdependencies among management control components are maximized and harmful interdependencies are minimized. If the extent of beneficial interdependencies is high and the extent of harmful interdependencies is low and the management control package as a whole fulfills its purpose in influencing employee behavior in a desired direction, the functionality of the management control package can be deemed to be high.

By exercising the abovementioned type of analysis in the case organization, this study will expand management control package literature by clarifying the extent to which the differing nature of non-profit organizations' and for-profit organizations' objectives has implications for each type of organization's ability to achieve effective management control in terms of functionality of entire management control packages. This research setting can also have further implications as the research question essentially deals with the fundamental relationship between management control and organizational objectives.

This study is descriptive in nature and therefore doesn't prescribe solutions regarding what the ideal management control package would be like in the case organization. Rather, this study maps and analyzes the contents of a for-profit nursing home's management control package with the sole objective of paving ground for future research so that it can delve deeper into the topic if the implications of the findings of this study are promising.

As for the structure of this study, chapters 2-4 present the theoretical framework. Chapter 2 presents this study's conceptualization of management control. Chapter 3 introduces and defines the concept of management control package and the concept of management control system. Chapter 4 examines prior literature regarding the relationship between the nature of an organizational objectives and management control, with focus on implications for non-profit organizations compared to for-profit organizations.

The remaining chapters focus on the empirical side. Chapter 5 goes through methodology with a recap of the literature review in light of its relevance for analysis and describes this study's research method and its limitations. Chapter 6 describes the case organization, and presents the empirical data gathered in the nursing home. Chapter 7 analyzes the empirical data to list all interdependencies among individual management control components within the management control package and utilize them to describe the functionality of the management control package overall. Chapter 8 synthesizes all of the analysis to answer the research question and presents suggestions for further research based on the findings and their implications.

## **2. Management control**

As the first step of establishing this study's theoretical framework, this chapter provides the definition of the management control that will be used throughout this study.

### **2.1. The starting point of defining management control**

Management control literature has been criticized for being confusing due the vagueness of its terminology (Tessier & Otley, 2012). Such vagueness mainly refers to the multitude of definitions of management control that are not only inconsistent with one another but often problematically ambiguous on their own right (Malmi & Brown 2008, Ferreira & Otley 2009, Tessier & Otley 2012).

Due to this, management control literature offers a rather fragmented view of what the concept of management control exactly entails. For that reason, finding an unambiguous definition of what is meant with the concept of "management control" is a challenge that has to be faced when researching management control (Malmi & Brown 2008).

Thankfully, the criticisms regarding the vagueness of terminology have been followed by work on various frameworks to aim at unifying and clarifying the terminology (Malmi & Brown 2008, Tessier & Otley 2012). Said efforts will be utilized in this study to define management control with sufficient clarity.

### **2.2. Definition of management control**

The fundamental premise of management control is that in order to achieve their objectives, organizations need to control the activities of their employees (Hofstede, 1981). To respond to this necessity, management control is utilized to ensure that the behaviour of employees is consistent with the organization's objectives and strategies (Malmi & Brown, 2008). In short, the purpose of management control is to influence the behaviour of individuals and groups towards more or less predetermined objectives (Bedford & Malmi 2015).

As the name "management control" implies, the concept has a managerial perspective; management control is something that is used by top managers to communicate, empower and execute their vision (Abernethy et al., 2010). But despite this managerial perspective that is inherent to the use of management control, it is important to recognize that the

benefits of management control can only arise from their impact on employee behavior (Merchant & Van der Stede 2007). Or as stated by Malmi & Brown (2008) management control focuses on the “managerial problem of directing employee behavior”.

The recognition of the vital significance of influencing employee behavior leads us to the general definition of management control by Malmi & Brown (2008) that will be used in this study:

“As such, management controls include all the devices and systems managers use to ensure that the behaviors and decisions of their employees are consistent with the organization’s objectives and strategies, but exclude pure decision-support systems. Any system, such as budgeting or a strategy scorecard can be categorized as a MCS.” (Malmi & Brown, 2008)

In the above extract, the distinction that is drawn between management control and pure decision-support is notable. According to Malmi & Brown (2008), prior studies haven’t been clear about the difference between the concept of management control and decision-support although management control has particular effects and design purposes that pure information-support/decision-support doesn’t have. That is, management control relates behaviour to targets or is specifically designed to hold organization members accountable for their behaviour whereas information-support and decision-support isn’t.

Malmi & Brown (2008) offer demonstrative examples that clarify the distinction. The first example is that if managers employ systems to support their own decision-making activities, said systems aren’t being used for management control but for decision-support. The second example is that even when an information system is employed by managers to support the decision-making of their subordinate managers, if the system doesn’t include mechanisms that monitor its effects on the subordinate manager’s goal congruence and behavior, the system isn’t used to guide the subordinate’s behavior and therefore it doesn’t constitute a management control system but a decision-support system.

The abovementioned examples also serve to demonstrate that the nature of management control isn’t about the existence of certain devices or systems but that they are utilized in a way that influences employee behavior to create accountability or goal congruence. This perspective is well-established in literature (Ferreira & Otley, 2009). For example, Langfield-Smith (1997) argues that the existence of certain controls isn’t sufficient for

them to support a certain strategy but what is important is how they are used by key decision makers and Abernethy et al (2010) bring up that different firms may have accounting systems with similar technical characteristics but the way they are used by top management to achieve particular purposes differs.

### **3. Management control package**

As the second step of establishing this study's theoretical framework, this chapter will define the concept of management control package and management control system and clearly distinguish them from one another. Furthermore, the management control package typology that is used in the empirical section of this study will be presented in detail.

#### **3.1. The necessity of studying management control in terms of packages**

Majority of empirical management control research has focused on the study of an individual management control mechanism at a time (Ferreira & Otley 2009, Grabner & Moers 2013, Bedford & Malmi 2015, Otley, 2016). However, this approach has significant shortcomings and has been heavily criticized (Grabner & Moers 2013).

The main shortcoming is that in practice, individual management control components don't operate in isolation. Instead, contemporary organizations employ and rely on a number of several management control components at the same time (Malmi & Brown, 2008).

Furthermore, the effectiveness and usefulness of any individual management control component is influenced by other management control components that are in use alongside it (Langfield-Smith, 1997, Grabner & Moers 2013, Bedford & Malmi 2015).

As a result of not accounting for these considerations, the reductionism approach fails to capture the totality of management control where various management control components exist at the same time, are interdependent and influence each other (Malmi & Brown 2008, Sandelin 2008, Ferreira & Otley 2009, Otley, 2016). Due to said weakness, studying individual and isolated variables in management control happens at the expense of integrative approaches that are required to properly explain management control (Kennedy & Widener, 2008).

Given the shortcomings of the reductionist approach, findings from empirical studies that don't provide a complete description of the totality of management control end up producing spurious, ambiguous and potentially conflicting results and erroneous conclusions (Sandelin 2008, Ferreira & Otley, 2009, Malmi & Brown, 2008). From the point of view of practitioners as well, not taking interdependencies between management control components into account will make organizations forego many of their benefits or incur unnecessary costs (Grabner & Moers 2013).

It is currently widely recognized in literature that studying individual management control components in isolation is insufficient. The stream of criticism has brought up the necessity of conducting more management control studies where it's recognized that organizations employ several interdependent management control components at the same time. This necessity can be seen in the numerous calls for further empirical research on the topic of management control packages that have been made (Kennedy & Widener 2008, Malmi & Brown 2008, Sandelin 2008, Tessier & Otley 2012, Grabner & Moers 2013, Bedford & Malmi 2015).

### 3.2. Management control system

Grabner & Moers (2013) define management control system as follows:

“we propose that management control practices form a system if the management control practices are interdependent and the design choices take these interdependencies into account.”

To fully understand the definition, the concept of interdependency has to be elaborated. Interdependency refers to a situation where the benefits of one management control component depend on the use of another (Grabner & Moers, 2013).

There are two types of interdependencies recognized by Grabner & Moers (2013), complements and substitutes.

A management control component has complementary interdependency for another management control component when the benefits of one management control component increase with the use of another (Grabner & Moers 2013).

Reversely, a management control component has a substitute interdependency with another when the benefits of one management control component decrease with the use of another and vice versa (Grabner & Moers 2013).

Referring back to the definition of management control system, having interdependencies taken into account in design choices implies that complementary interdependencies among management control components are capitalized and substitute interdependencies are avoided to increase the overall benefits that are gained. Taking interdependencies into account in this manner leads to system benefits through increased capacity of influencing

employee behavior in desired ways. A management control system is thus more effective compared to the alternate situation where individual management control components wouldn't enhance each other's benefits or possibly even weaken each other's benefits by being substitutes.

Said definition of management control system is explicitly supported by management control literature. Kennedy & Widener (2008) argue that all management control variables must work together in order to create an effective system and according to Sandelin (2008) it's the linkages between independent management control components that explain the functionality of a control system.

### **3.3. Management control package**

In practice, the various management control components that are contained within organizations are often implemented by different actors at different times. Consequently the various management control components within organizations often aren't designed to take interdependencies into account to form integrated and optimized systems (Malmi & Brown 2008, Otley 2016).

This observation is at the center of defining the concept of management control package. Management control package simply refers to the simultaneous existence of several management control components within the same organization, regardless of whether they are complements, substitutes or neither with any other management control components in the organization (Grabner & Moers (2013).

So while the management control system concept is centered on the idea that complementary interdependencies among management control components are utilized to achieve benefits that is greater the sum of their parts, the management control package concept is defined by lack of regard for interdependencies.

As some theoretical examples of to demonstrate difference between a management control package and a management control system, if an organization employs several management control components but none of them are interdependent with any other components within the organization in any manner at all, they are all part of the organization's management control package but no management control systems are formed. And if all management control components within an organization would form



one big management control system, both a management control package and a management control system would exist, but the management control package would consist of only one management control system.

The above theoretical examples show that the two concepts aren't mutually exclusive. One or more management control systems can exist within the same management control package in addition to any number of management control components that have no interdependencies with other management control components in the organization (Grabner & Moers (2013).

The difference between the concept of management control package and the concept of management control system is summed up by the words of Grabner & Moers (2013):

“In contrast, management control as a package represents the complete set of control practices in place, regardless of whether the management control practices are interdependent and/or the design choices take interdependencies into account. This implies that the management control package can be composed of a set of management control systems and/or of a set of independent management control practices addressing unrelated control problems.”

Also Malmi & Brown (2008) support this distinction between a management control system and a management control package:

“If all those were designed and coordinated intentionally, we might call the whole system a management control system. However, the concept of a package points to the fact that different systems are often introduced by different interest groups at different times, so the controls in their entirety should not be defined holistically as a single system, but instead as a package of systems.”

### **3.4. Malmi & Brown (2008)'s management control package typology**

The management control package approach will be used in this study to thoroughly map all management control components within the case organization. More specifically, the management control package typology by Malmi & Brown (2008) will be employed.

The reason behind the decision to use this particular typology is due to certain characteristics that make it especially useful for the purpose of mapping all the management controls that exist in the organization in an empirical case study.

First of all, the typology offers an approach that is both sufficiently broad and sufficiently parsimonious in a suitable balance. Its definition of management control is sufficiently broad to capture all forms of management control despite their massive variety as the typology recognizes certain important controls that are omitted in other typologies or frameworks, such as those of Merchant & Van der Stede (2007), Ferreira & Otley (2009) and Tessier & Otley (2012). What is included and what is left out all has a strong theoretical basis resulting from an “analyzing and synthesizing nearly four decades of MCS research” (Malmi & Brown 2008).

For example, the typology specifically addresses certain more recent management control components that are prevalent in today’s management control, such as hybrids like the balanced scorecard and the typology gives attention to forms of control that haven’t received as much attention in empirical research of management control such as cultural control (Malmi & Brown 2008). Another example of appropriate broadness of the typology is the inclusion of organizational structure. Many accounting researchers have treated it as a contingent variable despite being something that can be altered by managers for management control (Malmi & Brown 2008).

Secondly, despite the broad coverage, clear distinctions are made in the typology between management control and other similar concepts such as decision-support and information systems to maintain sufficient parsimony and enable the focus to remain on what is relevant. One example of these distinctions is found by comparing Malmi & Brown (2008)’s typology to Merchant & Van der Stede (2007)’s object of control framework. While the latter considers provision of necessary resources a management control component per se, the latter excludes it since the provision of resources does not determine direction to employee behavior as such.

Thirdly, the typology recognizes that individual management control components affect each other’s effectiveness. This is seen in how the typology contains descriptions of typical interdependencies between different types of control. For example, the typology describes planning control, cybernetic control and reward and compensation control to typically be

tightly linked in a way where they enhance each other's benefits, and administrative controls as a structure that facilitates exercise of these three types of controls.

All in all, the reason Malmi & Brown (2008)'s typology was chosen out of all available options is based on its ability to capture the entirety of the broad scope of controls in a management control package while retaining sufficient parsimony and being consistent with the definitions throughout the typology. The typology offers coverage that is lacking in other typologies that omit several vital management control components or aren't parsimonious or precise enough due to their lack of a clear distinction between management control and decision-support (Malmi & Brown 2008).

These strengths are to be expected from the typology considering that it is specifically meant to facilitate and stimulate research in the area of management control packages. The strengths of the typology in being useful for empirical inquiry of management control are summed up by the words of Malmi & Brown (2008):

“An MCS typology, such as the one presented in this paper, cannot be too narrow as there is a risk that some controls may go unnoticed and existing links to other controls may obscure the research findings. Conversely, a typology needs to be parsimonious enough to create boundaries for an empirical inquiry.”

Before proceeding into a detailed description of the contents of the typology, one adjustment to terminology has to be clarified. In this study, the term “management control package” will be used instead of Malmi & Brown (2008)'s term “management control systems package”.

This adjustment is done in order to emphasize the consideration that a management control package can include management control components that aren't part of any management control system (Grabner & Moers, 2013). Even Malmi & Brown (2008) show support for this distinction by referring to management control systems package as a “collection or set of controls and control systems” rather than a collection or set of control systems.

The above considerations are meant to emphasize that not all management control components within a management control package are necessarily be part of a management control system. The possibility that there are management control components that aren't

party of any system included goes against the use of the word ‘systems’ in the name of the typology. So all in all, due to the importance of making the distinction between management control package and management control system and keeping it clear and consistent, this adjustment to terminology is considered justified.

The typology identifies five types of management control: planning controls cybernetic control, reward and compensation control, administrative control and cultural control. For the rest of this section, each of said types of management control will be presented, focusing one type at a time but also briefly referencing to any connections between different types that the typology hypothesizes to generally exist.

#### **3.4.1. Planning controls**

Planning is included in the typology as it “may have a major role in directing employee behavior” (Malmi & Brown 2008). Naturally, the typology only includes planning that constitutes management control. For example, planning to merely decide on future activities without creating employee commitment to the plans is excluded (Malmi & Brown 2008).

Planning has the following management control effects. First of all, planning can be used to determine the goals of the organization, which can change the direction of employees’ effort towards said goals (Malmi & Brown 2008). Secondly, goals included in plans serve as standards of performance to be achieved, clarifying the level of effort that is expected from the members of the organization (Malmi & Brown 2008). Finally, planning can improve coordination across different functional areas by aligning the organization with desired organizational outcomes (Malmi & Brown 2008).

#### **3.4.2. Cybernetic controls**

Cybernetic control is defined by Malmi & Brown (2008) using the following excerpt from Green and Welsh (1988):

“Cybernetic control is a process in which a feedback loop is represented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variances in the systems, and modifying the system’s comportment”.

Only the cybernetic systems that are used for management control are included in the management control typology. A cybernetic system constitutes management control when

it's used to link behavior to targets and establish accountability for variances from expected performance. As opposed to this, when a cybernetic system used only by managers themselves to detect unwanted variances to modify their own behavior and activity based on the variance, it constitutes a form of decision-support instead (Malmi & Brown 2008).

Cybernetic control includes four basic types of systems: budgets, financial measures, non-financial measures and hybrid measures that contain both financial and non-financial measures.

The use of budgets is almost universal and in most organizations budgeting is the foundation of management control. Budgeting has several functions, but as a form of management control, the focus is on planning acceptable standards of performance and using them to evaluate performance (Malmi & Brown 2008).

Financial measures as a form of management control involve holding employees accountable for certain financial outcomes. Financial measures can be related to the budgeting process, but it must be noted that financial measures and budgeting are two separate matters. While budgeting is a broad technique, financial measures can be used in a focused manner when setting targets, for example via return on investment (ROI) and economic value added (EVA) (Malmi & Brown 2008).

Non-financial measures function under the same principle to financial measures but they are in non-financial terms. This type of performance measurement has been increasing in importance due to increased recognition of the limitations of financial performance measures in achieving desired results (Malmi & Brown 2008).

Hybrid measures include both financial and non-financial measures. Among them, the dominant one is balanced scorecard (Malmi & Brown 2008).

### **3.4.3. Rewards and compensation**

Rewards and compensation constitute a form of management control when they are used to direct or motivate employee behavior. The effect of rewards and compensation control on employee behavior can happen in three ways; by affecting the direction where effort is exerted, by affecting the duration of effort exerted or by affecting the intensity with which employees carry out their tasks (Malmi & Brown 2008).

In practice, rewards and compensation are often integrated with planning and cybernetic control, in the typology they are included as a separate category because they can also be used for management control in other ways, such as by using group rewards to encourage the birth of a particular type of organizational culture (Malmi & Brown 2008).

#### **3.4.4. Administrative controls**

The use of administrative control to influence employee behavior is based on organizing individuals and groups, monitoring their behavior, deciding who employees are accountable to for their behavior and the process of specifying the behaviors and tasks that are to be performed or to be avoided (Malmi & Brown 2008).

Administrative control includes three categories of controls; organization design and structure, governance structures within the organization and procedures and policies (Malmi & Brown 2008).

According to many researches, organization design and structure are to be considered contextual variables rather than types of management control. However, according to Malmi & Brown (2008), they are something that managers can influence and therefore can be shaped and utilized by managers to influence employee behavior. The inclusion of organization design and structure as a form of management control is also supported by Ferreira & Otley (2009) who state that “organizational structure is clearly a fundamental control element”.

Governance structure includes the formal lines of authority and accountability in an organization, as well as the systems that exist to ensure that activities within the organization are vertically and horizontally coordinated. For example use of meetings and schedules can direct employee behavior by establishing agendas (Malmi & Brown 2008).

Policies and procedures as form of management control refer to directing employee behavior by bureaucratically specifying how to behave. This includes approaches such as establishing the rules, policies and standard operating procedures that are to be followed (Malmi & Brown 2008).

#### **3.4.5. Cultural controls**

As the name suggests, the concept of culture is central to defining cultural control. In presenting their typology, Malmi & Brown (2008) refer to the definition of culture by Flamholtz et al. (1985) as “the set of values, beliefs and social norms which tend to be

shared by its members and, in turn, influence their thoughts and actions”. This definition of culture has a lot of support in accounting-related research (Malmi & Brown 2008).

In literature, organizational culture is often considered a contextual variable rather than a form of management control since it can be to a large extent beyond the control of managers (Malmi & Brown 2008). However, according to Malmi & Brown (2008) culture should be considered a type of management control. While organizational culture is slow to change, shaped by factors other than managerial intervention and not all of it is ever fully controllable, it is still something that can at least to an extent be shaped and utilized by managers to influence employee behavior.

Although organizational culture is often considered a contextual variable, support can be found in literature for treating it as a form of management control. Sandelin (2008) notes that “organizational culture and structure are means rather than mere premises of control” and that “they are also objects of deliberate managerial actions”, and Otley (2016) claims that “organizational culture can also be managed to an important extent and significant examples exist of training regimes that have changed the behaviors of key employees in certain organizations”.

Malmi & Brown (2008) classify cultural control to include three different types: value-based controls, symbol-based controls and clan controls.

Malmi & Brown (2008) refer to the definition of value controls by Simons (1995) according to which value controls are explicit organizational definitions that are used by senior managers to influence employee behavior by systematically and formally providing organizational values, purpose, and direction. Mission statements, vision statements and statements of purpose are examples of this type of control.

The impact of value control on employee behavior works on three levels; recruiting individuals with a set of values that matches those of the organization, socializing individuals to fit the organizational values and having employees behave according to the values even if they don’t truly internalize them as their own (Malmi & Brown 2008).

Malmi & Brown (2008) use Schein (1997)’s definition for symbol-based controls; symbol-based controls are visible expressions such as workspace design and dress codes that are aimed at developing a particular kind of culture. Some examples of symbol control are to

require employees to wear a uniform to promote a culture of professionalism and to establish open office to promote a culture of open communication.

Clan control in the typology is based on the concept developed by Ouchi (1979). At the core of clan control is the concept of clans. Clans, or subcultures and micro-cultures within an organization, are formed through socialization processes that instill a set of skills and values upon individuals. The participants of each clan may be for example based on professional groups or organizational boundaries (Malmi & Brown 2008).



#### **4. Management control in non-profit organizations and the relationship between the nature of organizational objectives and strategy**

As the third and final step of establishing this study's theoretical framework, this chapter examines the special characteristics of management control in non-profit organizations, the relationship between strategy, organizational objectives and management control and the role of this relationship in explaining the special characteristics of management control in non-profit organizations.

In the first section of this chapter, literature on management control in non-profit organizations is briefly reviewed to describe the characteristics of management control in non-profit organizations and prevailing explanations for them.

In the second section of this chapter, strategy is conceptualized in a way that emphasizes the role and significance of organizational objectives.

In the third section of this chapter, the conceptualization of strategy from the second section is deployed to highlight some of the potential implications of the differing organizational objective between for-profit and non-profit organizations in terms of the dynamics of strategy.

In the fourth section of this chapter, it is discussed how the relationship between a non-profit organizational objective and dynamics of strategy may serve as a potential alternate explanation for the special characteristics of management control in non-profit organizations compared to the prevailing explanations in prior literature.

##### **4.1. Literature review on management control in non-profit organizations**

Organizations have the need to control the activities of their employees in order to achieve their objectives, regardless of whether the organization is for-profit or non-profit. But despite the similar premise, management control often isn't as well developed in non-profit organizations as in for-profit organizations (Merchant & Van der Stede, 2007).

An explanation that has been offered for the difference in state of management control is that some types of management control components are less suited for non-profit organizations than for-profit organizations due to the nature of former's activities (Hofstede, 1981).

To elaborate, the explanation is based on the argument that within each organization, there's a range of activities that demand different forms of control. However, compared to for-profit organizations, non-for-profit organizations are much more likely to contain numerous activities whose specific public, not-for-profit and indirect value has to be taken into account (Hofstede, 1981). Consequently, non-measurability of outputs is a much more common challenge to non-profit organizations than in for-profit organizations and causes issues regarding applicability of various management control solutions (Hofstede, 1981).

The view that non-profit organizations struggle with greater non-measurability is shared by Merchant & Van der Stede (2007) who offer the case of hospitals as an example; hospitals need to use measures such as death rates among heart attack patients and cancer survivor rates as a measures of how well they succeed in delivering their mission while also considering the effectiveness of prevention instead of curing, and everything has to be gauged in relation of the cost constraints.

So due to issues of measurability caused by having to take the specific public, non-profit and indirect value of activities into account, Hofstede (1981) argues that many management control solutions that would be readily suitable to be applied to for-profit organizations might not suit non-profit organizations.

#### **4.2. Definition of strategy with emphasis on the significance of organizational objectives**

There is a distinction between two types of strategy that is especially relevant for larger and more complex organizations. The two types of strategy are corporate strategy and business strategy. Corporate strategy determines what businesses the organization wants to be in and how its resources should be allocated among them whereas business strategy determines the means of competing within the industry to achieve competitive advantage within a business (Merchant & Van der Stede 2007). In this study, the focus is on business strategy.

Business strategy has been understood in many ways in literature over the years and a great variety of strategy typologies have been presented (Ferreira & Otley 2009). Borrowing from Langfield-Smith (1997)'s analysis of strategy literature, some notable ones among the numerous typologies are Miles and Snow (1978)'s defenders, prospectors, analyzers and reactors, Porter (1980, 1985)'s three generic strategies of cost leadership, differentiation

and focus, Miller and Friesen (1982)'s conservative and entrepreneurial firms and Gupta and Govindarajan (1984)'s classification of build, hold, harvest and divest. Each typology presents a useful point of view to examine an organization's strategy (Ferreira & Otley 2009).

Business strategy is such a complex phenomenon that any typology will have great difficulty to capture all of its different dimensions (Mintzberg & Lampel, 1999). Fortunately, this complexity is relatively unproblematic for this study. Due to the nature of the research question, this study's approach to conceptualizing strategy is rather simple and direct; strategy is conceptualized as the intended logic of achieving the organization's objectives, or as stated by Ferreira & Otley (2009):

“Strategy is the direction the organization chooses to pursue over the long term as the means of achieving organizational objectives.”

As the above definition states, organizational objectives are fundamentally connected to strategy. Kaplan & Norton (2001)'s strategy map is a very useful construct for demonstrating and emphasizing the nature of the connection. Although the strategy map is a very simple construct, it is the perfect fit when the purpose is to focus on the relationship between organizational objectives and strategy.

The strategy map is a visual presentation of strategy where various boxes represent critical performance variables and arrows between them represent cause-and-effect relationships that managers believe to underpin value creation (Simons 2005). Value creation is to culminate to the realization of organizational objectives. Kaplan & Norton (2001) describe strategy's relationship to organizational objectives using a strategy map as follows:

“Organizations build strategy maps from the top down, starting with the destination and then charting the routes that lead there...”

“...The strategy identifies the path intended to reach that destination.”

More specifically, the strategy map describes this cause-and-effect logic in terms of four perspectives.

At the top of the strategy map is the financial perspective, as the typical objective of a for-profit organization is to achieve a significant increase in shareholder value (Kaplan & Norton 2001, Merchant & Van der Stede 2007).

Below the financial perspective is the customer perspective which pertains to how the organization intends to attract, retain and deepen customer relationships (Kaplan & Norton 2001).

Below the customer perspective, the internal process perspective includes the means by which the organization is to achieve the differentiated value proposition in the customer perspective while fulfilling the demands of financial objectives (Kaplan & Norton 2001).

Finally, the learning and growth perspective defines the employee capabilities, technology, culture and other elements that are needed to support the internal processes (Kaplan & Norton 2001).

All in all, the strategy map can be said to describe an organization's strategy as a hypothesis about the cause-and-effect logic that is to be followed in order to achieve organizational objectives (Kaplan Norton 2001).

#### **4.3. The implications of a non-profit organizational objective in terms of strategy**

The above description of the strategy map follows the typical template that is applied to for-profit organizations. However, when the strategy map is applied to a non-profit organization instead, the template is unsuitable and has to be significantly altered.

The reason alterations are needed is found in differences in the nature of organizational objectives. The organizational objectives of a for-profit organization culminate to the financial perspective, typically an increase in shareholder value. However, the organizational objectives of a non-profit organization are vastly different in that they culminate to the successful delivery of their mission, such as the offering of a public service, per se (Merchant & Van der Stede 2007).

As a consequence of the difference in the nature of organizational objectives, the architecture of the strategy map that was described earlier needs two major alterations concerning the positioning of the financial perspective. Firstly, since the financial

perspective doesn't match the organizational objectives in a non-profit organization, it cannot be at the top of the strategy map. Instead, the mission to be delivered to the organization's customers and constituents has to take its place (Kaplan & Norton 2001). Secondly, the financial perspective has to be repositioned on the strategy map to show that it is to be treated as a constraint for the organization's ability to deliver its mission rather than an objective in itself (Merchant & Van der Stede 2007).

The alterations that must be made to the strategy map template for it to be applicable to non-profit organizations show the significant implications of non-profit organizational objective for dynamics of strategy. The most major one is found when comparing the top of the strategy map; compared to increasing shareholder value, an entire mission entails multiple objectives and priorities in parallel.

The relatively high level of ambiguity of mission as the objective is visible in how Kaplan & Norton (2001) recommend for non-profit organizations to use direct costs, social costs, benefits to citizens as judged by citizens and their representatives and legitimization simultaneously as different perspectives that should be considered in evaluating the success of their strategy. This is clearly a more complicated approach compared to increase in shareholder value.

Furthermore, the mission of a non-profit organization is something that has to be determined politically due to lack of clear priorities among varying interests of different stakeholders (Hofstede, 1981, Kaplan & Norton 2001). This increases the relative level of ambiguity and complexity further.

The higher degree of complexity and ambiguity in for-profit organizations' organizational objectives has implications for the dynamics of the entire organization and non-profit organizations tend to face large challenges due to conflicts of perceived values and conflicts of interests among those who have a say in the activity (Hofstede, 1981).

To illustrate the challenges caused by increased conflict of values and conflict interest in non-profit organizations, Merchant & Van der Stede (2007) raise the example of how hospitals have the conflict between costs and quality of service. Also, Hofstede (1981) demonstrates the nature of the problem with the following example of running a prison:

“...the director may be guided primarily by a desire for maximum security in protecting society, the psychiatric staff by maximum opportunities for rehabilitation of inmates, and the higher authorities by minimal cost.”

The view of greater conflict of values and conflict of interest in non-profit organizations is also supported by Kaplan & Norton (2001) who note that non-profit organizations face considerable difficulty in their attempts of clearly defining their strategy and Merchant & Van der Stede (2007), according to whom non-profit organizations struggle with strategy because of goal ambiguity and conflict that results from how various constituents have an interest in the organization but don't agree with each other in terms of values and interests.

#### **4.4. The nature of non-profit organizational objective as a potential explanation for the state of management control in non-profit organizations**

The literature review on management control in non-profit organizations was very brief due to limited amount of literature and research that exists on the topic. Still, the review managed to find indications that management control functions differently in the for-profit context compared to the non-profit context. The generally weaker state of management control in non-profit organizations was mainly explained with poor fit of individual management control solutions in non-profit context due to issues of non-measurability caused by the specific public, not-for-profit and indirect value of activities that has to be taken into consideration.

However, the explanation for the state of management control in non-profit organizations offered by prior literature is problematic for two major reasons. The first is that it is based on the fit of individual management control components. This goes against management control package literature which suggests that the usefulness of an individual management control component cannot be understood without accounting for its interdependencies within the entire management control package. The second is the notion in management control literature that management control is about the way devices and systems are utilized rather than their mere existence. This implies that there are several ways to apply the same device or system for management control, and it is therefore questionable to conclude that a management control component would be poorly suited for a context per se, especially a context as broad and diverse as non-profit organizations.

Due to the problems concerning the explanation offered by prior research, it is considered important to seek an alternate explanation for the state of management control in non-profit organizations. So instead of being concerned with the fit of individual management control components, this study employs the management control package approach to examine how the extent of complementary and substitute interdependencies and the functionality of the entire management control package might be influenced by non-profit organizational objective.

## 5. Methodology

This chapter describes the methodology that will be employed to answer the research question.

The first section of this chapter provides a summary of the study's theoretical framework with emphasis on the way each part of it is to be utilized during the empirical section.

In the second section of this chapter, this study's research method is explained step-by-step.

In the third section of this chapter, the limitations of this study's research method are addressed.

### 5.1. The theoretical framework summarized

Based on the literature review, management control is defined in this study as use of devices and systems by managers to influence employee behavior to be consistent with the organization's strategy and objectives.

Furthermore, this study's approach to studying management control is informed by prior literature's warnings regarding the shortcomings of studying individual management control components in isolation. Thus, the concept of management control package will be employed to acknowledge that organizations employ several management control components simultaneously.

Additionally, guided by the widespread recognition in literature that interdependencies between individual management control components must be taken into consideration in management control research, the concept of management control package is accompanied with the concept of management control system as defined by Grabner & Moers (2013).

The management control package and management control system concepts will be used together synergistically. As the first step, this study will utilize the management control package typology by Malmi & Brown (2008) to map all management control components within the case organization. Subsequently, the management control system concept will be applied to identify all interdependencies between management control components in the management control package in terms of substitutes and complements.

Finally, the literature review regarding the characteristics of management control in non-profit organizations and the relationship between the nature of organizational objectives



and strategy will be utilized to interpret the analysis so that conclusions can be drawn regarding their implications.

## 5.2. The research method

The research method of this study will be case study. There are a number of reasons for selecting this particular research method.

First of all, when a study focuses on a “contemporary phenomenon within some real-life context”, the case study method is preferred as it “allows us to understand a more complex phenomenon in its natural setting” (Kennedy & Widener 2008).

Secondly, case study has the strength of being a sensitive and deep-probing research method that enables findings regarding less orthodox forms of management control by tracing subjectively constructed forms of control (Sandelin 2008). This strength is very useful because for this study as it seeks to also include more subtle forms of control such as cultural control which are included in Malmi & Brown (2008)’s management control package typology.

Finally, this study has explorative qualities as prior research doesn’t specifically address management control packages in the context of non-profit organizations. And when the research objective is explorative, the case study method is favored (Sandelin 2008).

The mapping of the contents of the management control package within the case organization will be carried out by conducting semi-structured interviews with employees in key positions. The purpose of the interviews is to gather information regarding all factors that influence employee behavior, in other words how management control functions in the case organization. The use of interviews, as opposed to for example questionnaires, was selected because it should improve the quality of gathered data (Malmi & Brown 2008).

At the start of each interview, a couple of short questions are presented regarding the background of the interviewee. The role of these opening questions is simply to enable the rest of the open interview to ask appropriate questions. These initial questions are followed by an open question where the interviewee is requested to freely describe all influences that determine what kinds of tasks they work on, as well as when and how the tasks are

carried out. By answering the question, the interviewee offers a description of what different forms of management control are in use and what their roles are. Furthermore, follow-up questions are presented and clarifications are requested as needed to reach a sufficiently complete description of the contents of the management control package.

This pattern is pursued as far as possible so that the interviewee is enabled to freely describe management control in the organization. Only after the open questions have run their course, each remaining type of management control in Malmi & Brown (2008)'s typology will be inquired about specifically. For example, example symbol control would be inquired about at this point if it hasn't come up during the interviewees' free description or through follow-up questions at appropriate moments.

The reason for the decision to utilize open questions as extensively as possible is to attempt to minimize the interviewer's influence on the interviewee's responses through constructs included in questions themselves. Another possible benefit of maximizing the use of open questions is to increase the ability to identify potential novel management control methods that are foreign to the typology.

The interviews are held in Finnish but translated into English in their entirety after transcription. After transcription and translation, the interviews are examined thoroughly in order to identify all descriptions of management control components that are in use in the nursing home and how they function. The descriptions will be dissected and categorized based on Malmi & Brown (2008)'s typology for analytical purposes.

After the entire management control package has been mapped out and categorized by type in this manner, the management control system conceptualization by Grabner & Moers (2013) will be employed to identify any interdependencies among management control components and classify them as either substitute interdependencies or complementary interdependencies or neither.

As a whole, this study's method of analysis is similar to the one used by Kennedy & Widener (2008). In their study, Kennedy & Widener investigated the contents of a case organization's management control package by mapped the unidirectional and bidirectional relations that exist among its components and analyzing how individual management control components were linked to one another, if at all.

As the final step, the findings will be analyzed in light of the theoretical framework to draw conclusions regarding their implications.

### **5.3. Limitations of the research method**

It must be mentioned that this study's research method has certain limitations and weaknesses. Although the study attempts to address them, they remain significant challenges that have to be considered when evaluating the findings.

First of all, the case study method focuses on a limited number of organizations, in this study just one, which causes reservations for generalizing the results to other organizations (Kennedy & Widener 2008). On the other hand, this weakness can be reduced since case studies are "generalizable to theoretical propositions" (Yin (2003, p. 10) according to Kennedy & Widener (2008)), which is what this study intends to do.

Secondly, the case study method has the issue that the use of interviews can "impose predetermined views on the design of the control system" (Kennedy & Widener, 2008). However this risk can be handled by formulating the interviews as semi-structured (Kennedy & Widener, 2008), and as was noted above, the extent to which interviews are conducted in this manner is maximized as an attempt to limit this risk.

Thirdly, empirical study of management control packages can be challenging because the combinations of management control components that exist in organizations are often large and complex (Malmi & Brown 2008) as they are coupled through multiple unidirectional and bidirectional relations (Kennedy & Widener, 2008). Therefore, empirical studies on management control packages are likely to require large research teams and programs (Malmi & Brown 2008). This issue is mitigated in this study as nursing homes are typically relatively small. This is a deliberate choice that enables the contents of the entire management control package to be mapped out even without requiring a large research team or program.

Fourthly, while it mitigates issues of scale and complexity, the small size of the organizational unit could imply that the findings cannot be generalized to larger and more complex contexts. However, there are arguments why this concern should be unwarranted. First of all, even in the largest and most complex of organizations, small units are often where the actual production of goods or delivery service is carried out, and thus the

behavior of employees within them is of utmost importance for any organization's ability to fulfill its objectives. Secondly, the worry of misrepresentative findings due to the case organization's size is further reduced since the nursing home is part of a much larger organization. The small size and lack of complexity could even be argued to be a strength as they can make the various forms of management control that exist in the organization and the linkages that exist between them more visible and pronounced (Sandelin 2008).

Fifthly, interdependencies among management control components are examined in this study without detailed measures for gauging the overall functionality of the management control package. In other words, the functionality of the package is only described on a qualitative basis including a high degree of subjective judgment. The main reason for this is that no reasonably useful definition of internal consistency of a management control package exists at the time of this study. However, the purpose of this study is only to preliminarily gauge whether a relationship between the nature of organizational objectives and the functionality of management control packages is a plausible explanation for the state of management control in non-profit organizations in order to inform whether further studies on the subject are warranted. Therefore, the qualitative approach is deemed sufficient for the purpose of identifying whether signs of such relationship exist.

Finally, there's a consideration that is caused by the nature of the case organization of this study as a nursing home. In regulation of nursing homes in law of Finland, there are two major deviations where the regulation doesn't apply to public nursing homes and therefore only has impact on private nursing homes.

The first one is that private entities are required to get a specific license in order to be allowed to offer nursing home services. This means that they face additional quality standards and compliance supervision compared to public nursing homes.

The second one concerns situations where a nursing home produces nursing home services on behalf of a municipality. This involves a regulated bidding process where nursing homes compete with each other with bids. The bidding process requires objective and clear selection criteria to be set by the municipality and allows it to set very detailed quality requirements for minimum requirements of eligibility as well as selection criteria among bids that pass the minimum requirements.

Prior studies have found that both of these factors are likely to cause differences between private nursing homes and public nursing homes in terms of quality of care and the sufficiency of nursing staff (Sinervo, Noro, Tynkkynen, et al., 2010). As various effects are shown to likely exist, it is also possible for the differences in regulation to have an impact on the characteristics of management control packages.

What this suggests is that it's possible that even if it's found that the functionality of the case organization's management control package is on a high level, the high functionality could be caused by requirements of regulation rather than the nature of for-profit organizational objectives. It is not possible to directly address the influence of this issue in methodology, but the limitation is brought up here so that the reader can take it into account in interpreting the results.

## 6. Empirical data – Management control in nursing home X

This chapter presents this study's empirical data that was gathered by conducting interviews with key employees in the case organization.

The first section of this chapter offers a brief description of the nursing home's basic profile. In the second section, this is followed by an exhaustive listing of all management control components that are in use in the case organization sorted by type according to the typology by Malmi & Brown (2008).

### 6.1. Basic information about nursing home X

Nursing home X produces nursing home services for elderly residents with memory illnesses. The nursing home operates in more than one floor, each of which constitutes a separate group home. Nursing home X produces the nursing home services based on a contract with a municipality and has its residents forwarded to it from said municipality without a say in which residents it receives. The nursing home is part of a private, nationwide for-profit organization. Although the nursing home is for-profit and private, the nursing home services are a public service on behalf of the municipality.

Further information about the nursing home's general profile is withheld as it would raise the risk of identifiability too high but in general it can be stated that the size and services of nursing home X are very typical of nursing homes for elderly residents with memory illnesses.

The nursing home's customer-value proposition is to use a resident-oriented approach to offer its residents high quality care. This consists of two elements in particular.

The first is to fulfill residents' medical, social and nursing needs as comprehensively as possible locally, minimizing their need to move elsewhere for services and treatments.

*"...in principle, residents don't need to leave the nursing home to receive services elsewhere, aside from maybe acute hospitalization in another care facility in cases where we can't handle the treatment here."* Head of Service

The second is to provide the residents with living conditions that are as homelike as possible. This means that only the minimal amount of restricting schedules or regulations

are in place to dictate residents' daily life. The goal is to minimize having standardization and schedules override residents' preferences and rhythm. This is done in a conscious attempt to deviate from hospital-type care that is prevalent in many nursing homes.

*“Not all morning routines have to be done at ten o'clock. The morning can be stretched, so everyone doesn't have to eat breakfast at the same time, not everyone has to be in day clothes at the same time. That kind of thinking is part of an older, hospital-type way of thinking, where the doctor makes their rounds at 7:30 and that's absolute.”* Head of Service

## 6.2. Contents of nursing home X's management control package by type

Before proceeding to the findings, a couple of notes must be made to help interpret how the data is described.

Firstly, the term “nurse” will have a different meaning in different contexts. For clarity and readability, the way the meaning differs will be explained.

- When “nurse” is used at the end of an extract from an interview, it refers to the interviewed nurse who is being quoted to distinguish them from the two practical nurses who were interviewed
- When “nurse” is used in any other context it refers to everyone who does nursing tasks, so it encompasses both nurses and practical nurses in the case organization

Proper nouns that could potentially be used to trace the identity of the organization or any of the interviewees have been replaced with “[common noun]”.

When the interviewees contain responses that aren't said fully out loud but can be discerned from the context, they are marked as “(added word)”.

### 6.2.1. Administrative control

#### Limited use of exact specifications of methods and schedules

The nursing home only has few instances where working methods or schedules are strictly specified with no room for flexibility. These pertain to tasks that require exact precision in how and when they are carried out because deviations would have a significant risk of

negative consequences for residents' health or wellbeing. Examples of such tasks include administration of prescribed medication and treatment of wounds.

*"...medication is something that is tied to time as such, as doctors have defined when each medication is given to a resident. And it is definitely something that ties to it; medicine has to be administered at the defined time."* Head of Service

*"...not all tasks are such that it doesn't matter how it's done as long as you do it, for example treatment of a wound or something like that, then there's obviously instructions for how the wound is to be treated, you can't just do it arbitrarily."* Practical Nurse 2

But as said, the abovementioned instances of strict specifications are limited. Besides from tasks such as those mentioned above, the general principle is that nurses have broad liberties in how they carry out nursing.

In terms of timing of tasks, it is generally based on residents' condition and wishes rather than any strict daily or weekly schedule.

*"In principle nothing has been tied to schedules, it kind of goes like as long as the task gets completed, then it's possible to be a little bit flexible, so that they don't have to at a precise minute, these meals or such, but based on the situation, and it is individually considered a bit what suits each resident, so nothing is scheduled as such."* Nurse

Similarly, the manner in which tasks are carried out is generally flexible based on what is practical or what fits the resident's preferences.

*"Administration of medication is always administration of medication and we can't really change that into anything else, so that's pretty much to be carried out the same way for everyone. But everything else is flexible."* Head of Service

It must be noted that the flexibility does by no means refer to lack of a regular rhythm. It's simply not scheduled to be done at an absolutely specified time, but within a certain timeframe.

*"...someone has eaten breakfast at seven, another eats it at ten, but anyway we of course strive to get all the morning routines finished by lunchtime, of course..."*

Practical Nurse 2



All in all, it can be said that the absence or low level of certain management control components itself is a management control arrangement that promotes certain employee behaviors.

#### Separation of mandatory tasks and other tasks

Majority of tasks contain a degree of flexibility regarding how and when they are to be carried out. Among them, a further division is made into two categories of tasks based on their relative urgency and priority. These categories are mandatory tasks and other tasks.

Mandatory tasks pertain to residents' basic needs and must be tended to on a regular basis. While there is a degree of flexibility in their timing and execution based on each resident's wishes and condition, mandatory tasks absolutely have to be carried out at least a certain number of times within a specified window of time, for example once a day or once a week. Examples of mandatory tasks are taking care of nutrition and hygiene.

*"And of course these so-called morning routines, or morning wash. Evening routines, there's evening wash, brushing teeth, changing on nightwear. In the morning day clothes are changed, so these types of matters that are part of daily activities."* Head of Service

It's worth noting that the requirement concerning mandatory tasks only sets a minimum level that must be fulfilled. If there's enough time, nurses are free to for example help residents take a shower more often than the required amount of times.

*"Of course it goes based on the situation, sometimes there are circumstances where people get to shower several times a week, but once a week is a necessity."* Practical Nurse 1

The remaining tasks belong to the category of other tasks. Other tasks include all tasks that, while very important, aren't as vital for residents' health and wellbeing as those included in mandatory tasks. Some examples of other tasks are recreational activities and, like in the above example, extra showers beyond the required minimum.

While everything included in the category of other tasks is important for residents and the goal is to carry them out to full extent if possible, the distinction between mandatory and other tasks is important to make due to resource limitations. Sometimes there simply isn't

enough time and manpower to do everything. In such cases, it's very relevant that the absolutely necessary mandatory tasks are specified and have the appropriate priority over other tasks to ensure that the most critical aspects of residents' health and wellbeing are secured.

*"It kind of depends, if a lot of time has gone to the basics, because they have to be done, so that residents are clean and have their clothes changed and such, the basic tasks must always be done, and then if there's time left, then everyone can choose on their own, some want to visit outside or play something. But then again sometimes it can be that all of the time goes to the basic nursing tasks, and then there's none left for the recreational time or extra. And then if something unexpected happens..."* Practical Nurse 2

#### Instructions for non-routine events

The abovementioned controls pertain to daily and weekly routines. However, various non-routine events may occur unpredictably. Such events include, among others, when a resident dies and when a resident's condition turns so much worse that an ambulance must be called to quickly bring them to the hospital. For such events, there are detailed instructions in place. Said instructions provide a step-by-step description of the appropriate course of action to serve as the guideline to be followed.

*"Quite largely there are certain instructions that always regulate how a certain matter is handled. For example if a resident dies here, there's a certain guideline that dictates the course of action, or what the most reasonable sequence of actions is."* Head of Service

The role of these instructions is to ensure that all employees have the readiness to take the right actions when such event suddenly occurs. Due to the irregularity and infrequency of such events, without such instructions there would be a great risk of delayed or mistaken responses from employees.

*"And there's its own instruction for that, which can be remembered through reviewing, that "oh, this is how this went"."* Head of Service

*"Because during the situation, so that it isn't like "how did this go again", you can always look it up."* Practical Nurse 2

### Broad job descriptions

Each occupational group has a job description that sets out the group's primary work responsibilities.

*"Each occupational group has their own job description. There's cleaner's job description, practical nurse's job description, nurse's job description, the responsible nurse's job description and the head of service's job description." Head of Service*

Notably, the job description of a nurse is very broad; it includes both an array of specific tasks that have to be carried out and a more general role to look after the nursing home's residents. All in all, basically everything related to ensuring and improving residents' physical and mental wellbeing could be considered part of nurse's job description.

*"So it's just this kind of basic nursing, hygiene, medication, nutrition, recreational activities, taking care of matters, those are the most important ones. It includes so many things." Practical Nurse 1*

*"Yeah, and of course whatever people do in their homes, so we hold recreational sessions and play and such." Practical Nurse 2*

*"It's more like mentally-, physically and socially-oriented nursing of a resident. It involves quite a few things." Nurse*

The job description of a nurse isn't only broad on paper but also in practice as tasks that are carried out by each nurse vary daily.

*"...for us they change from time to time, I mean they always change, so that they aren't always the same, that one person would have to do the same tasks every day, so we always change them around." Nurse*

When carrying out the job description, instead of having specific methods for allocation of tasks in place, the premise is that each nurse simply takes picks tasks up spontaneously as they arise based on who is in the best position to carry them out at the time. This process is so fluid that there often isn't any need for nurses to even inform each other of as they pick up tasks to work on.

*"But the division of tasks happens throughout the entire shift, so there's no chance to absolutely lock anything because the situations change all the time. So the entire work day is kind of interaction with coworkers when you really never can know what will happen during the next five minutes."* Head of Service

*"Pretty much these morning routines or evening routines, we just spontaneously each start some task and go. We don't really distribute anything like "you go there, you go there, you go there", but everyone just goes individually."* Practical Nurse 2

In situations where allocation isn't obvious enough to happen spontaneously, brief conversations between nurses occur. For example, this can happen if two nurses happen to come across two residents in need of help in the same place at the same time.

*"But of course, it can be that if for example two people happen to be at the same place at the same time and there are two who need help, then it will go "so I will go with this one and you will go with that one", so then of course, because nobody can be at two places at once."* Practical Nurse 2

Nurses also take care of tasks that are the primary responsibility of another occupational group, such as cleaning.

*"But of course food services and cleaner's tasks belong to them (nurses) partially."*  
Head of Service

*"I wouldn't say their (cleaners') work, but of course if some excrement accident or vomit accident happens, we can't just go "cleaner, come clean this up", but we have to clean it ourselves, of course. And if relatives can't come when there's need to visit the hospital, then we will go escort the resident there instead of the relatives."* Practical Nurse 2

This kind of flexibility to be involved in carrying out tasks across job descriptions isn't only enabled by how broad the job description of a nurse is but also by the nursing home's work culture. This is seen in how, for example, cleaners will also exceed their job description and participate in nursing tasks to an extent if the need arises.

*"And also, cleaner's job description is of course to maintain cleanliness of the whole building, but they also have some crossing; they can't just ignore it if they notice that*

*for example someone can't eat alone, they can't just walk past but they can in passing help."* Head of Service

Given the overall degree of flexibility in task participation, the role of job descriptions isn't to set absolute boundaries but to define the main role of different groups to be taken in addition to overall participation wherever needed. This kind of softer establishment of roles is required since readiness to flexibly work outside of own core job responsibilities is necessary in order to provide residents with high quality service.

*"For example that way, these job descriptions of course always cross to some extent, even if they have been specified in the job description what belongs to each employee. But the primary tasks remain the same, the primary tasks of the occupational group. And the rest is linked together, depending on the day and the circumstances."* Head of Service

### The intermediate shift

As stated above, allocation of tasks generally occurs by simply having nurses exercise their job descriptions and spontaneously pick up appropriate tasks while giving priority to mandatory tasks over other tasks. However, concerning recreational activities, there's a special arrangement in place called the intermediate shift that helps with their proper allocation. Each day, one nurse in each floor is assigned to be the intermediate shift whose main task for that day is to focus on recreational activities.

*"...then we have a so-called intermediate shift whose primary task is to take care of recreational activities"* Practical Nurse 1

The arrangement of having one nurse in each floor focus on recreational activities enables the rest of the nurses to give more of their attention towards making sure that mandatory tasks get carried out without having to worry as much about recreational activities. However, mandatory tasks still have an absolute priority for everyone, which is visible if resources get especially tight. In such cases, even the nurse in the intermediate shift will participate in carrying out mandatory tasks to the extent that needed to ensure that all of them are properly carried out.

*"...there can't be someone here on the shift that goes "I won't participate in nursing work". Of course everyone participates, but in principle they (the one in the*

*intermediate shift) don't have to and they are there specifically so that they can be together with the residents and such...*” Practical Nurse 2

The existence of the intermediate shift doesn't mean that recreational activities are to be solely carried out by the intermediate shift. Instead, provision of recreational activities is part of the role of all nurses. Even those who aren't in the intermediate shift can engage in recreational activities with residents during breaks, after all mandatory tasks are done or even while they are working on mandatory tasks.

*“... for example I personally simply hold singing sessions spontaneously and it doesn't take long, and they are really satisfied even with just one song. It doesn't always have to be that much, it just should be strived towards.”* Practical Nurse 1

However, not all nurses have the time, energy or disposition to engage in recreational activities in addition to mandatory tasks, at least not consistently every single day. Thus, the role of the intermediate shift is important in ensuring that there is at least someone present who is likely to have enough time and attention to engage in recreational activities with residents when the rest of the nurses are all too occupied with or tired from mandatory tasks.

*“Some say that there isn't enough time, some say they can't come up with anything to do, and sometimes each nurse is a bit tired as well, but on the other hand these residents are satisfied with only a little, that must be kept in mind.”* Practical Nurse 1

### Physical premises

The nursing home operates in more than one floor, and each of them is a separate group home. They are essentially separate, smaller units with their own residents and employees. As a result, the nursing home practically consists of a number of smaller entities rather than one that spans across several floors.

*“We don't have anything specific like that where all of the three floors would do the same thing. Instead they (each floor's schedule) can very largely be determined by the floor's specifics; the condition of the resident and the type of employees on that floor.”*

Head of Service

The physical premises of the group home in each floor can be described as open and compact. Aside from the benefit of providing greater ease of movement for residents, this arrangement has some management control implications.

For one, the nurses in each floor are constantly in close proximity to each other. This enables greater extent of constant and direct communication and interaction between them.

*"I would say that we constantly work together... or of course nobody is constantly with the coworker, but everyone is around there all the time, and you can always shout or call or go ask someone if you need anything."* Practical Nurse 2

The importance of such open communication and constant interaction among nurses has been recognized in the nursing home and a lot of effort has been put towards improving its functionality.

*"...very much it is like the personnel works as one group. It's something we have worked for and that has clearly changed within the past year, that we do things together, that this is group work, not individual work."* Head of Service

Secondly, the open and compact premises help nurses with constantly observing residents' needs and condition. This enables nurses to attend to residents and react swiftly to sudden emergencies, especially in combination with enhanced communication among nurses. For example, if a resident falls over, the response has to come quickly. This means that in addition to quickly spotting the fallen resident, direct and fluid communication between nurses helps ensure a prompt, appropriate and coordinated response.

*"For example, if the morning shift arrives and the night shift gives their report that everything is okay, and then within the next five minutes someone falls over. Then that means that employees have to quickly react to it and quickly discuss among themselves who goes there and who does what. And if there is a need to for example call an ambulance, call a doctor or anything, then there's a quick exchange among nurses about who does what and who stays together with the resident."* Head of Service

Thirdly, head of service resides within the same building and is in close proximity to the employees. This improves the ability of employees to be in contact with head of service, report to them and both give and receive feedback.

*"...here the superiors are present here all the time. So the communication works completely differently when we are always present here. We don't have any office in another building or somewhere further away, so it kind of happens all the time, that discussion and that encouragement and giving positive feedback as soon as it comes."*

Head of Service

*"Yes, and then this sort of communication toward work management works excellently. I have nothing to say about superior's work, we have open doors in that direction and we can speak openly."* Practical Nurse 1

Fourthly, within compact and open premises, employees can directly observe each other's behavior. This has a number of benefits, one of which is that nurses can to avoid pointless, overlapping of actions and therefore are better able to direct their time and attention towards tasks that aren't attended to by another employee at that time.

*"...these premises are quite small, so here it's always visible, where another is going and such."* Practical Nurse 2

This quality is emphasized as employees leave signals to help others interpret where they are or what they are doing at the time.

*"And quite many, when they go to someone's room, they leave to door open. So form that it can be quite well seen that "oh, there's someone already there"."* Practical Nurse 2

While the nature of the physical premises and the signals aren't enough to completely remove overlapping of work caused by the lack of detailed task allocation practices, they reduce such issues significantly enough to limit them to very small inefficiencies and inconveniencies.

*"Not really... of course if you think about it, there will be some wasted effort, if I for example leave for this room with this resident, and the someone else comes here to take the resident to eat and after arriving they notice "oh, you are here already, bye", then that causes some pointless steps when the coworker visits at the doorstep and goes way. But nothing larger than that..."* Practical Nurse 2



Of course, what takes place outside of each floor's open and compact premises isn't directly observable in a similar manner. Therefore others must be informed when leaving the floor, for example to visit another floor.

*"When you go visit another floor, then of course you have to say something like "hey, I'll go visit upstairs" so that others don't end up searching for you like "where did they go" and then I return after two hours."* Practical nurse 2

#### Communication and information storage practices

The nursing home has a specific reporting practice among nurses that takes place as the shift changes. When the next shift arrives, the leaving shift gives a report to the arriving shift about relevant events that took place during their shift. The purpose of this practice is to minimize gaps in situational awareness.

*"And of course oral reports, always at the changing of shifts a report will be given to the arriving shift."* Practical Nurse 1

*"...in the morning ,when the morning shift arrives, there's a report, so the night shift tells about the night's events and then in the afternoon when the evening shift arrives, then there's a report again about the morning's events. And then when the night shift arrives, then again another one in the evening shift then... so in a way about every shift what has happened and such."* Practical Nurse 2

These verbal reports aren't without holes; certain matters might slip the mind of the one giving the report, leading to loss of some information. However, these cases are limited to minor matters that aren't vital or urgent ones regarding a resident's health or wellbeing.

*"But then it can be that at some point some things... but they go pretty well if, for example, someone has fallen over during the morning, then the information definitely will be passed forward. But then, mainly matters that pertain to the daily life, that there's some item lost, or relatives have been asked to bring something, like socks for example, so they are so-called not-so-important matters, then they can be forgotten or left out."* Practical Nurse 2

Naturally, flow of information about the state of residents doesn't entirely hinge on practices of verbal communication. All relevant matters concerning the health of residents

must be registered in the information system. The registrations ensure that all such information is available to all nurses. Thus, even in the unlikely event that something major related to a resident's health gets neglected to be mentioned, all such information can be checked by using the information system.

*"...we record about residents how the day has gone and has something happened and such, it's a daily routine."* Practical Nurse 2

*"...but of course there's the [omitted: name of the system]-system where we record, there everyone can of course go look up on their own what has been written about the residents, that information can be seen there."* Practical Nurse 2

Regularly held weekly and monthly meetings also constitute an important channel of communication.

*"We have a meeting every week."* Head of Service

*"So we always have meetings monthly, and then weekly."* Practical Nurse 2

The monthly meetings serve as a forum for discussing the outcomes of the budget and various non-financial measures.

*"But it's something that's gone through every month, and also in the monthly meeting always at the beginning of the month, then we will go through for example if there have been deviations, medication errors and such, has it improved, has it worsened, these are matters that are handled every month."* Head of Service

By discussing the outcomes in meetings, the aim is not just increase employees' awareness but also to find causes for unfavorable deviations from expected results and address them. This will be discussed in more detail in the subsection about cybernetic control.

*"In principle, we discuss in meetings if, for example, some kind of a mistake has happened or something like that, but they are then analyzed together what it was all about and how it can be prevented from happening again."* Nurse

When deviations from intended or expected results are discussed, the attitude is one that emphasizes learning and seeking improvements for the future rather than findings culprits

and handing out penalties. This approach can help increase and uphold openness of communication and consequently the ability to identify and deal with issues.

*"...threatening situations have to be recorded and they are discussed, so recording the mistakes and intervening with them, basically the objective is to reduce them, and not to seek a culprit and punish them..."* Practical Nurse 1

Perceived issues can also be brought up in meetings independently of cybernetic control.

*"The meetings are very good, and then we discuss emerging issues, also brought up by employees and not only by the employer. Employees also have freedom to speak up."*  
Practical Nurse 1

Meetings are also used as a channel for relaying information about the organization's values, mission and vision to employees.

*"... go through the missions and visions and all kinds of other things that come up along the way, and they are discussed in all kinds of meetings along the year."* Head of Service

*"Of course we have regular meetings, so there also they come, either indirectly or directly, [omitted: name of the company]'s values and all that, it comes from there."*  
Practical Nurse 1

Additionally, meetings are also utilized as an opportunity to provide employees with gratitude and positive feedback.

*"Yes, so small everyday joys, so for example drinking coffee together at meetings and things like that, and remembering to then thanks for work well done or some event that was a nice success, for example. That's often how gratitude is shown."* Head of Service

Meetings also serve as a forum for operational planning that facilitates employee participation.

*"And of course the meetings topics can differ, and they of course do, but then if we think about these upcoming season's plans, then they will be brought up in the meeting together."* Head of Service

## Training

The availability of trainings in the nursing home is considered good by the interviewed nurses and they generally get to join the trainings they are interested in by suggesting them.

*"So we have a lot of trainings and you can always receive them..."* Practical Nurse 2

*"And if we come up with some training and we go suggest and ask if we could receive it, then it will probably work. We are also listened to like that."* Practical Nurse 1

Undergoing trainings can influence employee behavior on two levels.

The first is by developing employees' professional competencies by simply helping them become more proficient at what they already do.

*"They (trainings) have really just reinforced it, so they have been more about deepening the level of professional competence."* Practical Nurse 2

The second is by influencing the way employees approach their tasks on a fundamental level. The following excerpt demonstrates how training can change employees' orientation and lead them to carry out nursing from a different perspective to achieve different and improved solutions.

*"We had this sort of training called "Resident-oriented Everyday Life" for the entire personnel where the entire permanent personnel got to attend the training worth three (ECTS) credit points. It handled overall what resident-oriented work is like, it was handled for the whole worth of three credit points; what it means from a nurse's point of view, what it means from a resident's point of view and how we could get rid of the old patterns of carrying out nursing. And it has had a very noticeable positive effect. First of all employees started to communicate more with each other, as it was carried out in small groups, each floor as its own group. So in a sense it was a chance to discuss with own unit's personnel and think about why certain things are done or why couldn't we do certain things. So we started to think about by that means. And it has been brought well to each of the floors, this how it is possible to act in a resident-oriented way. For example, we have an old lady there in wheelchair who basically did nothing but slam her hands on the table and sat in the wheelchair and our personnel, after the customer-oriented training, thought about what they could provide her other than just slamming the table and nursing a doll. Then they came up with trying to give her a pen in her hand, so maybe she could draw, and she has been entirely in her*

*element, she has drawn and written. She is a former accountant, so the functions that had entirely been forgotten reawakened, as nobody had thought of it that she could be given a pen in hand. In my opinion this is a very good example of how these types of solutions can be found when you start doing things in a resident-oriented way.*” Head of Service

### 6.2.2. Cultural control

#### Values

While the values of the nursing home are considered respectable and valid by the interviewees, their impact on employee behavior isn’t regarded very significant. Their effectiveness is deemed low because they are seen to convey what employees would already carry within themselves on a personal level regardless of what is stated in the organizational values.

*”The values are quite good as such, but the values should already be there without saying, they are either way included in good nursing that the values are in the background.”* Nurse

*”Of course [omitted: name of the company]’s own values definitely in some way have influence at the back of the head, but it’s not that, they would certainly work, no matter in which company, they would work just as well.”* Head of Service

So it appears that the effect of values during the recruiting stage in guiding to select suitable employees is already so effective that values as form of management control are left with a rather unnoticeable role.

But even if the value statements don’t noticeably open up new perspectives to employees, it could be argued that they are useful regardless. That is, the organizational values can still have a reinforcing effect in terms of further guiding to act according to the values.

*”...I think they are good values and it’s easy to work according to them.”* Practical Nurse 1

#### Mission

According to the nursing home's head of service, the mission statement has an important effect in guiding employee behavior to be aligned with achievement of desired outcomes.

*"So they still have a directing influence, they guide behavior in the right direction. Without visions or missions or strategies, in a sense there wouldn't be anything to direct personnel's behavior."* Head of Service

What highlights the importance of the mission is that there are deliberate attempts to differentiate the practices of nursing home X from certain deep-seated hospital-like practices that exist within the nursing industry.

*"...I think [omitted: name of the company] has good objectives and they direct towards customer-orientation, and that it's basically about the customers and individuality and moving away from bureaucratization, which is something I endorse really strongly."*  
Practical Nurse 1

On the other hand, there also exists the opposing view that is similar to the one concerning values. That is, the mission is seen as something good per se but its influence on behavior is not very noticeable since the content of doesn't offer anything that isn't already obvious and natural to begin with.

*"...pretty much a standard set so to say, all of it, that quality of work and being customer-oriented and rehabilitation-focused and such, for everyone it pretty much comes naturally, at least I myself don't, and probably nobody, in any way constantly thinks that these are ours."* Practical Nurse 2

Thus, while the significance of the mission is deemed larger than that of values by the interviewees, it's not by a huge margin.

### Clan control

Like was previously mentioned, there is no strict allocation of tasks among nurses in nursing home X. Instead, tasks are picked up by nurses spontaneously based on the circumstances at the time.

The starting point in how division of labor ends up is that it's recognized that everyone has their individual strengths and weaknesses. It is therefore accepted as natural that some

nurses are more efficient and some are less efficient when it comes to certain tasks, and as a result small imbalances in allocation of tasks are born.

*"Well, it kind of depends really on who you are working with, that how things go. And it is so that some are more brisk and more productive and some are slower and so. And that's nothing as such that some are more brisk and some are slower..."* Practical Nurse 2

Also, completely balanced division of labor isn't always possible due to the vastly varying nature of certain tasks.

*"And it has some effect, there are so many variables, someone can be in terminal care and requires more time. Someone can otherwise be sicker and requires more time, there are so many variables."* Practical Nurse 1

However, these considerations don't mean that nurses are allowed unlimited leeway in their working efficiency. This is seen in how the interviewed nurses bring up that they pay attention to whether the division of labor among nurses is reasonably even.

*"Of course the practices should be unified, the distribution of tasks should be more equal. It doesn't go as equally with everyone."* Practical Nurse 1

*"...we have a pretty good group in that everyone participates and such, but then occasionally it has of course kind of been like when there are these 15 residents and, well some require help from two, but in a way, or someone has for example during the weekend attended to three people and the other has attended to ten..."* Practical Nurse 2

So in the midst of their work, nurses keep an eye on each other's behavior and take note when someone is visibly avoiding tasks, excessively focusing on lighter tasks or otherwise working at an overly deliberate pace. This doesn't happen to the extent of outright stalking, but the behavior of other employees still clearly something that employees care about and take note of.

*"... it's not like I stalk and stare if someone is working or such, but from time to time if I notice that someone is sitting in the office, then it's kind of like "yep, well that one's there"."* Practical Nurse 2

*"...it's sort of necessary to do some so-called stalking, so that everything gets done and that everyone participates, so that there isn't someone who does everything alone while others just don't participate."* Practical Nurse 2

As nurses observe each other's behavior, there is a limit to overlooking unproductive behavior. If there are enough signs that an employee's unproductivity or inefficiency is clearly avoidable or deliberate, there will be efforts to influence the slower employees' behavior so that they act in accordance with the nursing home's work culture's norm that everyone participates to the best of their ability.

There are various methods to intervene. One of these methods is to just bring up the perceived issues in discussion with the one that is considered to potentially not be participating properly. Sometimes the perceived issues might be accidental or even a misunderstanding where the behavior actually isn't unproductive, so the issue is easily settled.

*"...we have also had cases where when the issue has been brought up and discussed why we feel that someone is doing nothing even though they believe that they are working properly. But we have managed to get things so that now at least everyone has been relatively satisfied."* Practical Nurse 2

Another method is to try to introduce others' work methods to be more efficient by directly offering guidance. The goal is to try to fix working methods that are perceived to be inefficient.

*"Yes, I now feel that you can instruct and guide and explain that the thing can be done this way as well..."* Nurse

However, this type of direct guidance isn't always considered helpful as there can be many different ways to handle tasks efficiently and none of them is obviously superior. As a result, even working methods that are sufficiently efficient can receive criticism simply because they are different from what the intervening nurse personally does, and thus some interventions might be or at least come across as pointless nitpicking.

*"...in nursing things can be done in many different ways in a sense, many tasks can be right, like it's properly done, but there are many different ways..."* Nurse



*"It's a bit of that when someone folds the sheets differently than another, this is just a very dumb example, but then they are bothered about it how someone does it differently and then keep harping on about it, like "use your energy more sensibly".*" Practical Nurse 2

Instead of direct guidance, nurses can also try to influence each other's behavior by serving as an example for others to follow.

*"...I have experienced it, that people follow an example and learn and such."* Nurse

*"You can't change others, but you can change yourself and promote it with your own behavior, conduct, encourage what you expect from others. Not everyone will always join in, but at least you have done your own part for those things."* Practical Nurse 1

When success in correcting problematic behaviors regarding division of tasks isn't found by using these softer approaches, a more strict method is employed. In such cases, nurses who are having a disagreement compile a list in which tasks are strictly allocated between them to make sure that the division of labor is relatively balanced. This is a major difference from the starting point where everyone works at their pace and picks up tasks spontaneously.

*"...when it comes to those cases, we have outright kind of arranged it like "you do these and I do these", so that if someone is delaying so that others do a bigger share. At least I don't like that at all, and in that case it goes like "you do these and I do these" and so."* Practical Nurse 2

*"...but it is not appropriate if you just sit around here, and in the morning chat for half an hour so that you don't need to do as much, we won't tolerate that, at that point a list for division of tasks will quickly come up, but now it's gone pretty well."* Practical Nurse 2

It must be noted that while it may sound like clan control interferes with various issues in behavior, clan control is only clearly needed in cases of blatant inefficiency or opportunism in employee behavior which are not that common to occur. So more importantly than clan control, the impetus to work comes from employees' commitment and wellbeing directly.

*"...as each person has to get to take a shower once a week, I can't take the attitude that "I won't do it today, someone else can do it tomorrow"... Practical Nurse 1*

*"But you have to be truly independent and able to work unprompted and such, because it's like, someone who just stands around waiting for orders regarding what to do will not make it in here, because you have to take action and be able to be active, you can't just wait all the time to be told what to do, you must be unprompted." Practical Nurse 2*

It must be noted that while the nurses are concerned with balanced allocation of labor as they engage in clan control, the motivation behind clan control isn't only, and most likely not even mainly, motivated by minimizing own effort of having to carry out excess work that should have been carried out by someone else. The interviewed nurses express that they care a great deal about the wellbeing of the nursing home's residents.

### Symbols

The only example of symbols that was directly mentioned by the interviewees is the nursing home's homelike décor when they were asked about whether there's anything in the workplace that reminds them of the organization's values, mission or vision.

*"Maybe I would say that the décor here is quite homelike compared to some other places, this isn't as much like a facility. But I can't come up with anything else."*

Practical Nurse 1

*"Of course the décor is made such that movement is easy for our residents, that is of course something visible in the décor, but otherwise the values aren't really visible at the common premises." Head of Service*

While the primary function of the décor is to influence residents' wellbeing by offering them a home that is comfortable, they should also have the potential of being able to influence employee behavior. One such way could be by acting as a constant reminder for the employees of their objective to provide the residents with service that makes them feel as comfortable and at home as possible.

In addition to the one that was mentioned by interviewees directly, there is another form of symbol control that can be discerned with noticeable influence. The open and compact physical premises can be seen to act as symbol control that promotes working in close

collaboration and maintaining open communication. This is akin to how open office is considered a method of symbol control as it promotes certain types of behaviors. While this symbol control is also basically a byproduct of the primary purpose of making it easier for residents to move from place to place and making it easier for nurses to keep an eye on residents' condition, its influence in terms of promoting close collaboration and open interaction is visible:

*"I would say that we constantly work together... or of course nobody is constantly with the coworker, but everyone is around there all the time, and you can always shout or call or go ask someone if you need anything."* Practical Nurse 2

### 6.2.3. Cybernetic control

#### Budgeting

Traditional budgeting is in use in the nursing home. The annual budget is compiled by the nursing home's head of service.

*"Previous year's numbers come from financial management and then head of service compiles the budget always once a year."* Head of Service

Nurses don't really participate in the budgeting process. While there are signs that they at least indirectly contribute by offering suggestions and opinions, this is considered limited in significance.

*"Yes, and the budget is the superior's work, it doesn't belong to us employees."*  
Practical Nurse 1

*"Well we really don't get to influence the budget much, but of course it can sometimes be that if there's something that's terribly needed, then kind of like choose one, you can't get everything, but we don't influence it a lot."* Practical Nurse 2

The interviewed nurses claim that they don't even have to pay much attention to the budget in their day-to-day work.

*"No, the budget isn't concretely visible in daily work..."* Nurse

Instead of directly referencing the budget, budgeting's influence comes from discussions in meetings. During monthly meetings, realized numbers are presented, discussed and compared with what was budgeted as well as previous periods' figures.

*"Yes, and the budget thing is something that is once a month, always in the monthly meeting, handled, that what the costs were last month, money on for example our food orders and how much has been spent in this kind of other product orders, and then how much the expenditure was earlier, so we compare them. And at that point the personnel always get to hear the budgeting in a way, what the situation is at that time. Have we remained the same, has there been an increase or has there been a decrease."* Head of Service

*"... I think it's the monthly meetings then were we go through them, next year's budget and last year's budget, so we are indeed told about them."* Practical Nurse 2

In said meetings, the goal of discussions is to find the underlying causes for deviations.

*"And then if there has been a lot of increase, then what would be the remedies that we could use, for what reason some month has then been a lot higher, have there for example been a lot of holidays which affect food orders, we make more cakes or something like that, serve Pommac and related to that some other delicacies, which obviously instantly brings up the costs."* Head of Service

Through regularly held discussions regarding costs, nurses' awareness of the importance of financial considerations in daily activities is increased and upheld. As a result, nurses are directed to be more oriented towards cost-effective decisions and methods.

*"So this (budget information) is of course what constantly dwells in the background and it is of course important because without that way of thinking it's not possible to work, if you just wastefully let everything go, at that point the personnel is well involved, when we think about purchases and these types of things."* Head of Service

To summarize, budgeting is used to control costs in the nursing home in two ways. The first is by identifying and addressing individual causes of excessive spending, both by helping identify and address these issues and by holding employees accountable as they have to explain such deviations. The second is by upholding the importance of cost

consciousness in general to increase employees' general orientation towards more cost-effective solutions.

### Financial measures

The interviews give no indication that there are any financial measures in use for management control in the nursing home.

### Non-financial measures

The health of the nursing home's residents is tracked extensively. Part of the tracking is done with use of overall assessments and part of it is done by monitoring the development of various non-financial measures.

*"Those RAI-assessments are of course in use here, they are filled in by nurses regarding residents and they of course tell about a resident's condition."* Head of Service

*"And of course it could be that, since we monitor residents' nutrition, which is of course something that tells us whether we have met the target, whether our residents are well nourished."* Head of Service

*"And of course there's monitoring of medication, if some resident's medication for something has to be changed, then of course it will be monitored whether it has effect and in what way, if it's beneficial at all."* Practical Nurse 1

*"And we conduct memory tests and measure blood pressure and weight and these kinds of, but that kind of comprehensive picture."* Practical Nurse 2

Many of the non-financial measures are discussed with nurses. In said discussions, the measures are analyzed in order to spot critical issues that need to be addressed and to come up with solutions to them.

*"And also always in the monthly meeting, always at the beginning of month, we also go through for example deviations, medication errors or others, so for that also, has it improved or has it worsened."* Head of Service

*"But instead, the nutrition assessment, that is then made even a couple of times a year and that is gone through, whether our nutrition has been good or whether there's*

*something we should improve. And that is gone through with the personnel very specifically.”* Head of Service

#### 6.2.4. Planning control

##### Strategy

The nursing home’s strategy is a given that is received from higher up in the organization.

*”Our strategies come from upper management. We don’t make the strategies here in this unit directly, but all nursing homes in the organization share that same strategy.”*  
Head of Service

Said strategy isn’t considered very impactful by the interviewed employees. The stated reasons for this are very similar to the ones that came up when handling the nursing home’s values and mission; the strategy is considered to only include matters that are an obvious and inherent part of nursing to begin with. As a result, nurses hardly feel the need to be conscious of the strategy.

*”Well, the influence, I don’t know, it (the strategy) is in my opinion pretty basic, high quality work and being customer-oriented and rehabilitation-focused, so it comes rather naturally.”* Practical Nurse 2

Rather, a view was presented that the nursing home’s actual strategy is an emergent one that is rather independently formed locally.

*“...we ourselves create the strategy, what we want to be like; I don’t feel that the (official) strategy is strongly visible here.”* Nurse

But like is the case with values and mission, the nursing home’s strategy can be seen to have some subtle reinforcing influences where certain behaviors are reinforced.

##### Operational plans

There are numerous kinds of operational plans in use in the nursing home.

*”There are many different plans in here, we have self-surveillance plan, medication treatment plan, service and treatment plan, plans related to measuring residents’ capabilities, rehabilitation plans...”* Practical Nurse 1

A very important type among them is the service and treatment plan. Each resident has their own service and treatment plan that includes information about why the resident is living in the nursing home and specifies what individually tailored set of services and treatments the resident needs.

*"It (the service and treatment plan) is based on what services must be provided and what the nursing must include and what should be considered in local care..." Nurse*

Among operational plans, service and treatment plans in particular have a very significant steering effect on behavior. They are in a central role in providing nurses with guidance for what they should focus on and what they should strive to accomplish.

*"Largely, the service and treatment plan guides us in our work." Head of Service*

Service and treatment plans are updated at least twice a year in connection with RAI-assessments. They may also be updated independently of RAI-assessments if a need for revisions arises due to changes in a resident's health. Either way, the objective is to keep the plans up-to-date.

*"Of course, if the condition suddenly turns worse, then we will immediately make a new one and not half a year later. So we revise the service and treatment plan, if the condition has for example taken a sharp turn for the worse." Practical Nurse 2*

Unlike in budgeting and strategy, nurses have an actively participatory role in operational planning.

*"We don't participate in compiling the budget, but virtually everything else." Practical Nurse 1*

The participation of nurses in operational planning takes advantage of their closer understanding of what is best for the residents and what is feasible for them given their restrictions.

*"And employees actively participate in this kind of planning. They themselves can think what is best for the residents, what actions are sensible and what can be done and what can't be done." Head of Service*

*"In principle, the own-nurse should know their resident the best..." Nurse*

*“The own-nurse strives to make these (service and treatment plans) as well, and teaching practical nurses so they also know how to do it causes more work for me.”*

Nurse

Operational plans for events such as seasonal events are discussed, analyzed and given feedback on afterwards in order to facilitate learning and improve quality of planning in the future.

*”And there will be a lot of feedback on it. We will discuss what was good and what was bad, were the plans right or were they wrong and what should have been done otherwise.”* Head of Service

### **6.2.5. Rewards and compensation control**

#### Monetary rewards and compensation

There are no monetary bonus systems in use in the nursing home. So while the budget and various measures are thoroughly discussed and analyzed with the purpose of learning and improvement, they aren't tied to monetary rewards.

*”Well there is nothing linked to (success/failure) because this has after all usually succeeded so well that there hasn't been any need for such linkages. But of course it will always be gone through afterwards, that how did it go. So in meetings we will discuss what was successful and what wasn't successful...”* Head of Service

#### Non-monetary rewards and compensation

While there are no monetary bonus systems in use in the nursing home, there are various forms of non-monetary rewards and compensation.

The available employee benefits are appreciated by the interviewed nurses. In particular, the occupational health services are considered to be of very high quality.

*”...in my opinion [omitted: name of the company] is a quite good employer anyway, we have quite good job benefits anyway, mainly the occupational health services are very good.”* Practical Nurse 1

*”...in my opinion our occupational health service is still quite extensive.”* Nurse



Another non-monetary method of rewarding employees is found in the nature of the work arrangement itself. It is believed that granting employees sufficient flexibility and good facilities for carrying out good nursing according to their own views is a source of commitment and wellbeing.

*"I believe more that personnel's wellbeing overall, the entire motivation of work and its meaningfulness all in all come from that they are enabled to do their work well."* Head of Service

Also, there are efforts to reward employees for their work with displays of appreciation and gratitude. This refers both to special instances such as parties and daily interactions.

*"...whether it's Christmas Parties, employee satisfaction activities or something else, that is kind of a way to reward employees for good work. Of course at that point appreciation is visible, but also there's appreciation for employees every day with own actions, which comes from the superiors."* Head of Service

The various non-financial rewards and compensation make a combined contribution to developing a pleasant working atmosphere in the nursing home. Providing positive feedback and conveying feelings of trust, respect and appreciation contribute to the creation of a more pleasant working atmosphere and work community which themselves are considered something that improves commitment and wellbeing.

*"The work community has always been good and this kind of work atmosphere, that has always been the same and for that reason as well I have enjoyed being here."* Nurse

That's not to say the working atmosphere is perfect; negatively oriented comments and various tensions can arise. It's also expressed in the interviews that while there are displays of appreciation and gratitude, they aren't considered to be on an entirely satisfactory level. Instead, more tangible signs of gratitude are wished for such as trips.

*"It (work community/atmosphere) could be better, but it is headed in a better direction, let's say that."* Practical Nurse 2

*"Of course you get feedback from residents and relatives which is of course nice to hear, and to some extent from the employer's part too, but it has been quite limited anyway, there could be more."* Nurse

*"...of course maybe there could be more, like gratitude, but maybe something little from higher up. Like some summer trip or something kind of like so-called reward for work well done." Practical Nurse 2*

But all in all, even though the level of rewards and compensation isn't considered entirely sufficient, the overall level of work satisfaction implies that the methods of improving and maintaining employees' commitment and wellbeing fulfill their purpose to a large extent.

*"I enjoy being here the most, I have done mostly gigs before, but I wouldn't leave for another place." Practical Nurse 1*

*"I have always enjoyed being here pretty well." Nurse*

*"I enjoy working here quite well." Practical Nurse 2*

## 7. Analysis of interdependencies within the management control package

This chapter consists of a full analysis of interdependencies within nursing home X's management control package based on the data that was gathered through interviews.

In the first section of this chapter, all interdependencies among identified management control component within the management control package are listed and described briefly. The first subsection of the first section describes how each management control component influences all other management control components within the management control package. The second subsection goes through the way each management control component is influenced by all other management control components within the management control package. Finally, the third subsection briefly summarizes the main observations about notable clusters of interdependencies.

In the second section of this chapter, the identified interdependencies are analyzed further in order to synthesize a description of how various management control components and interdependencies among support the functionality of the entire management control package.

### 7.1. Interdependencies within the management control package

In this section, all interdependencies among management control components within the management control package are listed. The types of interdependencies are marked by color, and by a symbol in cases without a full description, according to the following code:

|   |                               |
|---|-------------------------------|
| O | Complementary interdependency |
| = | No notable interdependency    |
| X | Substitute interdependency    |

#### 7.1.1. Influence exerted on other management control components

In this subsection, the influences of each management control component on all other management control components within the management control package are described for each management control component. The interdependencies are also shown listed in tables in the appendix of this study.

### 7.1.1.1. Influence exerted by administrative controls

#### Limited use of exact specifications of methods and schedules

Table 1 – Influence of limited use of exact specifications of methods and schedules

|                                 |  |
|---------------------------------|--|
| <b>Broad job descriptions</b>   | <b>Enhances benefits by allowing greater utilization of flexibility</b>          |
| <b>Training</b>                 | <b>Enhances benefits by allowing greater utilization of skills and knowledge</b> |
| <b>Other control components</b> | <b>No influence identified</b>   |

Limited use of exact specifications of methods and schedules has the primary effect that it sets the degree of autonomy and flexibility high. This is a core management control component in establishing the general approach that is taken by employees in carrying out tasks. Due to its core role, it's natural for it to be a management control component that is enabled by other management control components rather than one that enables other management control components, which is seen in the limited number of instances in the table.

Nevertheless, limited use of exact specifications of methods and schedules has two complementary influences that increase the benefits of other management control components that could be identified.

Firstly, the flexibility accommodates the use of broad job descriptions by allowing them to function fluidly with minimal obstacles set by regulations for methods and schedules.

Secondly, the benefits of training are enhanced in two ways; as behavior is based more on skills and knowledge than on regulations training has a larger role, and thanks to flexibility there is more potential to maximize advantage from the garnered skills and knowledge.

#### Broad job descriptions

Table 2 – Influence of broad job descriptions

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by allowing greater utilization of flexibility</b>  |
| <b>The intermediate shift</b>                                       | <b>Enhances benefits by enabling various tasks to be balanced fluidly based on the situation regardless of shift</b> |
| <b>Training</b>   | <b>Enhances benefits by allowing greater utilization of skills and knowledge</b>                                     |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The role and influence of broad job descriptions is very similar to that of limited use of exact specifications of methods and schedules. This is to be expected as the two are closely

intertwined as the two core management control components that largely define nurses' overall approach to which tasks to carry out, when and how.

However, unlike limited use of exact specifications of methods and schedules, broad job descriptions also increase the benefits of the intermediate shift arrangement. This effect is based on making it smoother for nurses in the intermediate shift to participate in tasks other than recreational activities and vice versa, enabling a more balanced and seamless delivery of other tasks alongside mandatory tasks.

#### Separation of mandatory tasks and other tasks

**Table 3 – Influence of separation of mandatory tasks and other tasks**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by helping focus on the right tasks at the right time</b> |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by helping focus on the right tasks at the right time</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

Separation of mandatory tasks and other tasks is a rather specific management control component with a supportive role where it enhances the benefits of the flexible and autonomy-based arrangement that is established by limited use of exact specifications of methods and schedules and broad job descriptions.

The enhancement of benefits is based on improving the employees' ability to prioritize the most critical tasks properly by establishing a hierarchy between mandatory tasks and other tasks as a guideline within exercise of autonomy.

#### The intermediate shift

**Table 4 – Influence of the intermediate shift**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by helping focus on the right tasks at the right time</b> |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by helping focus on the right tasks at the right time</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The role of instructions for non-routine events is very similar to that of separation of mandatory tasks and other tasks in that both are supportive management control components that enhance benefits of limited use of exact specifications of methods and schedules and broad job descriptions.

Both the intermediate shift and separation of mandatory tasks and other tasks specifically enhance benefits by improving the ability to balance different types of tasks properly. The difference is that the intermediate shift approaches this issue by temporarily establishing specific focus areas for certain employees.

#### Instructions for non-routine events

**Table 5 – Influence of instructions for non-routine events**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by improving ability to react quickly and appropriately to unusual situations</b> |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by improving ability to react quickly and appropriately to unusual situations</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The role of instructions for non-routine events is very similar to that of separation of mandatory tasks and other tasks and the intermediate shift in that each of them is a supportive management control component for limited use of exact specifications of methods and schedules and broad job descriptions.

The difference is that instead of enhancing benefits by helping with prioritizing the right tasks in exercise of autonomy, instructions for non-routine events help with upholding employees' readiness to deal with important events that happen irregularly but suddenly.

#### Open and compact physical premises

**Table 6 – Influence of open and compact physical premises**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by helping focus on the right tasks at the right time</b>                                       |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by helping focus on the right tasks at the right time</b>                                       |
| <b>Communication and information storage practices</b>              | <b>Enhances benefits by improving prospects for continuous and open communication</b>                                |
| <b>Clan control</b>   | <b>Enhances benefits by enabling employees to better observe and interact with each other</b>                        |
| <b>Non-monetary rewards and compensation</b>                        | <b>Enhances benefits by providing more engagement between superior and employees</b>                                 |
| <b>Symbols</b>  | <b>Open and compact premises act as a form of symbol control but don't enhance benefits of other symbol controls</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The nature of the influence of the physical premises as a control component is to simply be the space in which activities take place. The characteristics of the physical premises have a number of straightforward influences on the benefits of certain other management control components.

Firstly, both limited use of exact specifications of methods and schedules and broad job descriptions have their benefits enhanced by employees' improved ability to identify the tasks that need to be prioritized at the time and the ability to avoid pointless overlapping of actions.

Secondly, communication practices and clan control alike have their benefits enhanced by the improved ability to observe and communicate with other employees. For one, regarding clan control, the constant close proximity and open communication practices make it quick and easy to spot signs of undue inefficiency or neglect and react to them by for example offering advice or discussing based on what is deemed appropriate for the situation. In addition to such direct methods, the small physical premises also make it more viable to attempt to influence the behavior of others by setting an example.

Finally, the head of service is located in a very easily approachable place which improves non-monetary rewards and compensation through increased presence and sense of closeness and more opportunities to give and receive feedback. Furthermore, since head of service is present within the same building and reported to on a daily basis, access to superior's intervention is relatively quick and simple. Thus, open communication towards superior as well can enhance the effectiveness of clan control; when employees recognize that there can easily be consequences for constantly getting caught avoiding tasks or doing them at an overly deliberate pace, the effectiveness of peer monitoring should increase.

Although open and compact physical premises can be seen to constitute a form of symbol control that promotes a culture of closeness and openness, this connection doesn't refer to an increase in benefits through better ability to achieve results but simply the nature of an individual symbol control. Thus, this doesn't constitute an interdependency between open and compact physical premises and symbol control based on the definition of interdependency used in this study.

## Communication and information storage practices

**Table 7 – Influence of communication and information storage practices**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by helping focus on the right tasks at the right time</b>   |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by helping focus on the right tasks at the right time</b>   |
| <b>Values</b>   | <b>Enhances benefits by being presented in meetings</b>  |
| <b>Mission</b>  | <b>Enhances benefits by being presented in meetings</b>  |
| <b>Budgeting</b>  | <b>Enhances benefits by being presented and discussed in meetings</b>  |
| <b>Non-financial measures</b>                                       | <b>Enhances benefits by being presented and discussed in meetings and being stored in systems for higher usability</b> |
| <b>Strategy</b>   | <b>Enhances benefits by being presented in meetings</b>  |
| <b>Operational plans</b>  | <b>Enhances benefits by being constructed and discussed in meetings</b>  |
| <b>Non-monetary rewards and compensation</b>                        | <b>Enhances benefits by serving as a platform for giving appreciation and positive feedback</b>                        |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

Communication and reporting practices a vital role in enhancing the benefits of various management control components within the nursing home.

First of all, the communication practices and information storage systems play a large part in keeping each employee sufficiently informed about the situation to identify and carry out the appropriate tasks at the right time by helping maintain continuous awareness of the needs of each resident even across shifts.

Secondly, communication practices enhance the benefits of other management control components is the use of meetings for going through various plans and measures. Discussions of targets and outcomes regarding budgeting, non-financial measures and operational plans are vital for said management control components to achieve effectiveness in terms of influencing employee behavior, and their benefits are also increased as employees get to offer their input and feedback in turn. Not only do meetings produce definite changes and actions based on discussion and analysis, they also serve to emphasize the importance of the measures by directing attention towards them.

Thirdly, meetings enhance the benefits of values, mission and strategy by spreading knowledge and increasing awareness about them.

Finally, meetings are utilized to provide positive feedback and encouragement to employees in a direct and personal way.



## Training

**Table 8 – Influence of training**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits through development of skills, perspectives and knowledge to better utilize opportunities of autonomy</b> |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits through development of skills, perspectives and knowledge to better utilize opportunities of autonomy</b> |
| <b>Values</b>   | <b>Enhances benefits through increased awareness</b>   |
| <b>Mission</b>  | <b>Enhances benefits through increased awareness</b>   |
| <b>Clan control</b>   | <b>Enhances benefits through greater ability to properly identify issues in behavior and react to them appropriately</b>       |
| <b>Strategy</b>   | <b>Enhances benefits through increased awareness</b>   |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

Since management control is all about employee behavior, the influence that training can have by affecting employees' fundamental skills, knowledge and perspectives has important role.

Most importantly training improves nurses' competence to utilize autonomy effectively in order to achieve greater wellbeing for residents with more cost-effective and sustainable means. Additionally, training increases knowledge regarding the mission, values and strategy and influences the benefits of clan control by increasing ability to spot and address issues appropriately.

### *7.1.1.2. Influence exerted by cultural controls*

#### Values

**Table 9 – Influence of values**

|   |   |
|---|---|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by increasing tendency towards values-aligned behavior in autonomy (subtle and limited)</b>            |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by increasing tendency towards values-aligned behavior in autonomy (subtle and limited)</b>            |
| <b>Clan control</b>   | <b>Enhances benefits by influencing which behaviors are deemed appropriate or inappropriate</b>                             |
| <b>Symbols</b>  | <b>Existence is based on having values to be reflected but benefits in terms of ability to impact behavior don't change</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>  |

The influence of values is quite unnoticeable in the nursing home according to the interviewees. This, however, doesn't mean that the values wouldn't be adhered to; instead it means that employees see the values as something so obvious that they don't need to be

actively paid much mind. So values accomplish the majority of their impact already during the recruitment process where they influence which employees get selected.

However, even if the impact of values isn't very noticeable in daily work, there are subtle signs that they enhance the benefits of other management control components through promotion of certain types of behaviors

This is notable in limited use of exact specifications of methods and schedules and broad job descriptions as the benefits of autonomy get increased when employees' tendency to behave in a way that reflects the values increases at all. Additionally, clan control has its benefits improved as values have at least some influence on the norms of the workplace to be upheld.

### Mission

**Table 10 – Influence of mission**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by increasing tendency towards mission-aligned behavior in autonomy</b>                       |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by increasing tendency towards mission-aligned behavior in autonomy</b>                       |
| <b>Clan control</b>   | <b>Enhances benefits by influencing which behaviors are deemed appropriate or inappropriate</b>                    |
| <b>Symbols</b>  | <b>Existence is based on having goals to be reflected but benefits in terms of impact on behavior don't change</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The impact of the mission on employee behavior is mentioned to be similar to that of values in that its contents can be seen to be somewhat obvious and straightforward, but somewhat more noticeable as it sets out the overall objectives that are to be pursued.

Due to its similarity, the influence is very similar to that of values in both enhancing benefits of autonomy and influencing the norm that is upheld through clan control.

## Clan control

**Table 11 – Influence of clan control**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by increasing overall efficiency of autonomous behavior</b> |
| <b>Separation of mandatory tasks and other tasks</b>                | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Instructions for non-routine events</b>                          | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by increasing overall efficiency of autonomous behavior</b> |
| <b>The intermediate shift</b>                                       | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Communication and information storage practices</b>              | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Values</b>   | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Mission</b>  | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Strategy</b>   | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Operational plans</b>  | <b>Enhances benefits by increasing likelihood of being properly complied to</b>  |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

Overall, clan control increases the benefits of all management control components whose benefits depend on being adhered to. This happens through identifying issues in behavior of another employee and intervening in order to make their behavior compliant with the norms of the nursing home such as earnest participation in share of labor and not going against the values or mission, whether it's done deliberately or accidentally.

Furthermore, clan control enhances the benefits of the management control components that establish the foundation of nurses' autonomy by spreading effective working methods and weeding out inefficiencies. This increases the general effectiveness of the autonomy-based arrangement in producing desirable behaviors and outcomes.

## Symbols

**Table 12 – Influence of symbols**

|                                 |  |
|---------------------------------|--|
| <b>Values</b>                   | <b>Enhances benefits by promoting certain values</b>   |
| <b>Mission</b>                  | <b>Enhances benefits by guiding towards execution of the mission</b>                                   |
| <b>Clan control</b>             | <b>Enhances benefits by subtly promoting values, mission and strategy as part of the cultural norm</b> |
| <b>Strategy</b>                 | <b>Enhances benefits by guiding towards execution of the strategy</b>                                  |
| <b>Other control components</b> | <b>No influence identified</b>   |

Symbols have a subtle influence on employee behavior by promoting certain behaviors through signals from the open and compact physical premises and homelike decor. This way, symbols enhance benefits of values, mission and strategy by sending signals that increase employees' tendency to behave according to them. The influence of symbols can also affect what is considered acceptable or unacceptable behavior from the point of view of clan control. However, the extent of influence is difficult to gauge since the impact of symbol control happens on a subconscious level.

### *7.1.1.3. Influence exerted by cybernetic controls*

#### Budgeting

**Table 13 – Influence of budgeting**

|   |  |
|---|--|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by increasing autonomous orientation towards more cost-effective methods and timings</b>        |
| <b>Clan control</b>   | <b>Enhances benefits by promoting cost-effectiveness as part of the cultural norm</b>                                |
| <b>Non-financial measures</b>                                       | <b>Enhances benefits by providing financial considerations in balance with the measures for cost-effectiveness</b>   |
| <b>Operational plans</b>  | <b>Enhances benefits by providing financial considerations for more cost-effectiveness in creation and execution</b> |
| <b>Other control components</b>                                     | <b>No influence identified</b>   |

The purpose of budgeting as it's utilized for management control in the nursing home is to promote employees to act according to the financial constraints and help with identification of issues with excessive spending. In both regards, the objective is to guide employees towards more cost-conscious behavior. Budgeting information also helps employees in their participation to proper creation and execution of and feedback from operational plans.

By promoting consciousness of the importance of the financial constraints, budgeting makes employees more likely to autonomously determine the right methods and solutions that don't compromise profitability requirements. Through discussions and analysis

revolving around budgets, cost-effectiveness also consequently becomes part of the norm that is upheld by clan control.

Also, the use of budgeting in this manner in combination with use of non-financial measures enhances the benefits of both; alone either one would be too one-dimensional but together they combine to promote a balance of cost and effectiveness.

#### Non-financial measures

**Table 14 – Influence of non-financial measures**

|   |   |
|---|---|
| <b>Limited use of exact specifications of methods and schedules</b> | <b>Enhances benefits by increasing autonomous orientation towards the right priorities and goals</b>                            |
| <b>Broad job descriptions</b>                                       | <b>Enhances benefits by increasing autonomous orientation towards the right priorities and goals</b>                            |
| <b>Clan control</b>   | <b>Enhances benefits by promoting attention paid to performance in terms of certain priorities as part of the cultural norm</b> |
| <b>Budgeting</b>  | <b>Enhances benefits by providing critical performance in balance with financial constraints for cost-effectiveness</b>         |
| <b>Operational plans</b>  | <b>Enhances benefits by providing critical performance factors to consider in creating and carrying out plans</b>               |
| <b>Other control components</b>                                     | <b>No influence identified</b>  |

Non-financial measures are used in the nursing home for management control to emphasize the significance of certain aspects that are important for residents' health and wellbeing.

Going through the measures with nurses enhances benefits of the autonomy-establishing management control components by helping direct effort and attention towards the right goals and priorities.

Promotion of said goals and priorities also influence which behaviors that clan control recognizes as desirable or undesirable and they are utilized to guide in executing and creating operational plans and learning from them afterwards.

And like was stated in the subsection about influence of budgeting, it and non-financial measures form a pair that promotes a balance of cost and effectiveness.

#### 7.1.1.4. Influence exerted by planning controls

##### Strategy

Table 15 – Influence of strategy

|  |  |
|--|--|
| Limited use of exact specifications of methods and schedules | Enhances benefits by increasing tendency towards strategy-aligned behavior in autonomy                               |
| Broad job descriptions                                       | Enhances benefits by increasing tendency towards strategy-aligned behavior in autonomy                               |
| Clan control   | Enhances benefits by influencing which behaviors are deemed appropriate or inappropriate                             |
| Symbols  | Existence is based on having goals to be reflected but benefits in terms of impact on employee behavior don't change |
| Other control components                                     | No influence identified  |

The impact of strategy on employee behavior in the nursing home is similar to that of the mission. While employees are aware of the contents of the strategy and direction provided by strategy is considered important by the nursing home's head of service, the nurses feel that its contents are too generic to make a major difference. Still, awareness of strategy increases tendency towards certain behaviors in autonomy and affects the behaviors that clan control encourages or discourages.

##### Operational plans

Table 16 – Influence of operational plans

|  |   |
|--|---|
| Limited use of exact specifications of methods and schedules | Enhances benefits by increasing autonomous orientation towards the right priorities and goals |
| Broad job descriptions                                       | Enhances benefits by increasing autonomous orientation towards the right priorities and goals |
| Other control components                                     | No influence identified   |

Operational plans are important for providing a sense of direction by relaying goals and priorities, which is important in enabling autonomous employee behavior to function according to the right priorities and goals. Especially service and treatment plans are in a central role in specifying the conditions and needs of each resident that need to be taken care of.

### 7.1.1.5. Influence exerted by rewards and compensation controls

#### Non-financial rewards and compensation

Table 17 – Influence of non-monetary rewards and compensation

|  |   |
|--|---|
| Limited use of exact specifications of methods and schedules | Enhances benefits through higher commitment and wellbeing to utilize the potential given by autonomy fully          |
| Broad job descriptions                                       | Enhances benefits through higher commitment and wellbeing to utilize the potential given by autonomy fully          |
| Communication and information storage practices              | Enhances benefits through higher commitment to participate fully and higher wellbeing to maintain a good atmosphere |
| Clan control   | Enhances benefits through higher commitment and wellbeing to care strongly about influencing others' behavior       |
| Other control components                                     | No influence identified   |

It could be assumed that employees' wellbeing and commitment, and therefore the reward and compensation controls that serve to improve and uphold them, would enhance the benefits of all management control components that require any notable commitment or motivation to function at full potential. However, in this analysis, only the areas that have clear indications were included as the influences are too vague and speculative elsewhere.

The benefits from limited use of exact specifications of methods and schedules and broad job descriptions that establish the autonomy are particularly dependent on the degree of employees' commitment and wellbeing to pursue tasks unprompted and with sufficient effort and attention.

Furthermore, the benefits of clan control depend on the commitment and wellbeing of employees; the more diligent employees are, the more likely they are to care strongly about the nursing home's performance and culture and therefore engage in clan control to strive to improve them by influencing other employees' behavior.

Rewards and compensation can also improve the functioning of communication and reporting structures and practices by not only improving level of commitment to participate earnestly but also by making the work community more pleasant and positive. Such conditions contribute to an environment with greater completeness and openness of communication.

### 7.1.2. Influence received from other management control components

Going through the way each management control component is influenced by other management control components within the management control package is essentially just

a rearrangement of the above listing of way each management control component influences other management control components.

Therefore, the way each management control component is influenced by other management control components will be described relatively briefly and summarily in order to minimize overlap.

As the first step of examining how each management control component is influenced, table 19 summarizes all interdependencies within management control components. Due to space limitations, the management control components are abbreviated as follows on the table.

**Table 18 – Abbreviations of management control components**

|          |  |
|----------|--|
| <b>A</b> | <b>Administrative control</b>                                |
| A1       | Limited use of exact specifications of methods and schedules |
| A2       | Broad job descriptions                                       |
| A3       | Separation of mandatory tasks and other tasks                |
| A4       | The intermediate shift                                       |
| A5       | Instructions for non-routine events                          |
| A6       | Open and compact physical premises                           |
| A7       | Communication and information storage practices              |
| A8       | Training   |
| <b>C</b> | <b>Cultural control</b>                                      |
| C1       | Values   |
| C2       | Mission  |
| C3       | Clan control   |
| C4       | Symbols  |
| <b>Y</b> | <b>Cybernetic control</b>                                    |
| Y1       | Budgeting  |
| Y2       | Non-financial measures                                       |
| <b>P</b> | <b>Planning control</b>                                      |
| P1       | Strategy   |
| P2       | Operational plans  |
| <b>R</b> | <b>Rewards and compensation control</b>                      |
| R1       | Non-monetary rewards and compensation                        |



Next up is the table in question that summarizes all interdependencies in the nursing home.

Table 19 – Summary of types of interdependencies

|            |            |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |
|------------|------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|---|
| Influencer | A1         |    | O  | =  | =  | =  | =  | =  | O  | =  | =  | =  | =  | =  | =  | =  | =  | = |
|            | A2         | O  |    | =  | O  | =  | =  | =  | O  | =  | =  | =  | =  | =  | =  | =  | =  | = |
|            | A3         | O  | O  |    | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | = |
|            | A4         | O  | O  | =  |    | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | = |
|            | A5         | O  | O  | =  | =  |    | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | = |
|            | A6         | O  | O  | =  | =  | =  |    | O  | =  | =  | =  | O  | =  | =  | =  | =  | =  | O |
|            | A7         | O  | O  | =  | =  | =  | =  |    | O  | O  | =  | =  | O  | O  | O  | O  | O  | O |
|            | A8         | O  | O  | =  | =  | =  | =  |    | O  | O  | O  | =  | =  | =  | O  | =  | =  | = |
|            | C1         | O  | O  | =  | =  | =  | =  | =  |    | =  | O  | =  | =  | =  | =  | =  | =  | = |
|            | C2         | O  | O  | =  | =  | =  | =  | =  | =  |    | O  | =  | =  | =  | =  | =  | =  | = |
|            | C3         | O  | O  | O  | O  | O  | =  | O  | =  | O  | O  |    | =  | =  | =  | O  | O  | = |
|            | C4         | =  | =  | =  | =  | =  | =  | =  | O  | O  | O  |    | =  | =  | O  | =  | =  | = |
|            | Y1         | O  | =  | =  | =  | =  | =  | =  | =  | =  | O  | =  |    | O  | =  | O  | =  | = |
|            | Y2         | O  | O  | =  | =  | =  | =  | =  | =  | =  | O  | =  | O  |    | =  | O  | =  | = |
|            | P1         | O  | O  | =  | =  | =  | =  | =  | =  | =  | O  | =  | =  | =  |    | =  | =  | = |
|            | P2         | O  | O  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  | =  |    | =  | = |
|            | R1         | O  | O  | =  | =  | =  | =  | O  | =  | =  | =  | O  | =  | =  | =  | =  |    | = |
|            | A1         | A2 | A3 | A4 | A5 | A6 | A7 | A8 | C1 | C2 | C3 | C4 | Y1 | Y2 | P1 | P2 | R1 |   |
|            | Influenced |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |

Limited use of exact specifications of methods and schedules and broad job descriptions are by far the most influenced management control components, which is understandable considering that they establish the flexibility and autonomy of activities that is at the core of determining how employees approach their work. Therefore, maximizing the benefits of allowing nurses exercise their autonomy and flexibility is understandably an objective that is supported by most of the management control components within the package in various ways.

Clan control is about having employees guide each other's behavior towards the cultural norm of what is acceptable behavior in the nursing home. Due to the nature of clan control, all management control components that inform it of what is acceptable and what is not enhance its benefits. Consequently, management control components that are in most cases interdependent with clan control in a mutually reinforcing manner. Aside from the manner in which clan control influences employee behavior, benefits of clan control depend on the

existence of sufficient wellbeing and commitment for employees to be invested in enforcing clan control.

Values, mission and strategy all have very similar in role and nature, and all of them have the same management control components enhancing their benefits; communication and information storage practices and training are used to spread awareness about them, clan control corrects employee behavior to be more consistent with them and symbols subtly promote them.

Operational plans mainly have their benefits enhanced through contributions from input from budgeting and non-financial measures in combination with them. Additionally, meetings are utilized to both construct and go over plans and clan control reduces behavior that goes against the contents of plans.

Training has its benefits enhanced in the autonomy-based arrangement, which means the management control components that establish the autonomy. Due to autonomy, the way employees behave is influenced more by their skills and knowledge than rules or regulations. Therefore, employees have more opportunities to capitalize on the skills and knowledge they gain from training.

The benefits of budgeting in terms of influencing employee behavior in the nursing home depend on improving employees' overall awareness of financial constraints. Meetings and other forums where budgeting is discussed are thus needed to spread information that is needed for budgeting to achieve behavior-influencing effects. Non-financial measures have their benefits enhanced in a similar manner performance in terms of various measures is reviewed and discussed. Additionally, budgeting and non-financial measures mutually enhance each other by forming combination that guides employees towards cost-effective solutions and tendencies.

The communication and information storage practices have their ability to influence employee behavior enhanced by three other management control components. The first is open and compact physical premises that increase ease of reaching other employees, the second is non-monetary rewards and compensation that maintain an open and friendly communication atmosphere and the third is clan control that promotes proper participation in communication practices as part of the cultural norm.

Non-monetary rewards and compensation have their benefits enhanced in two ways by other management control components, both of which are related to communication. Firstly, the communication practices present several opportunities for head of service for engaging with employees to provide them with positive feedback and signs of appreciation. Secondly, the open and compact physical premises have the characteristic of having the head of service situated in a central location which enables distribution of positive feedback and signs of appreciation on a continuous basis.

The intermediate shift has its benefits enhanced by the use of broad job descriptions as they enable nurses to seamlessly transition between recreational tasks and mandatory tasks to make the arrangement more flexible and less restrictive. Furthermore, clan control enhances benefits of the intermediate shift by dealing with possible issues proper compliance with the arrangement.

Separation of mandatory tasks and other tasks and instructions for non-routine events are such specific arrangements that mainly deal with the risk of focusing on the wrong tasks at the wrong time that they don't need to have their benefits enhanced per se. Still, clan control enhances the benefits of both by guiding behavior towards them and intervening with cases of non-compliance.

Symbols and open and compact physical premises are both merely qualities of the space in which employee behavior takes place, so neither of them has its benefits particularly influenced by any management control components.

### **7.1.3. The number and distribution of interdependencies**

The number of interdependencies where one management control component influences another one's benefits within the nursing home are summarized in the following table. The table includes both the number of other management control components whose benefits the management control component enhances and the number of other management control components that enhance the management control component's benefits.

Table 20 – Summary of the number of each type of interdependency

| Management control component                                 | # of other control components getting enhanced | # of other control components providing enhancing |
|--|--|---|
| Limited use of exact specifications of methods and schedules | 2  | 15  |
| Broad job descriptions                                       | 3  | 14  |
| Separation of mandatory tasks and other tasks                | 2  | 1   |
| The intermediate shift                                       | 2  | 2   |
| Instructions for non-routine events                          | 2  | 1   |
| Open and compact physical premises                           | 5  | 0   |
| Communication and information storage practices              | 9  | 3   |
| Training   | 6  | 2   |
| Values   | 3  | 4   |
| Mission  | 3  | 4   |
| Clan control   | 10   | 9   |
| Symbols  | 4  | 0   |
| Budgeting  | 4  | 2   |
| Non-financial measures                                       | 5  | 2   |
| Strategy   | 3  | 4   |
| Operational plans  | 2  | 4   |
| Non-monetary rewards and compensation                        | 4  | 2   |

There are a couple of main observations to be made regarding the number of different types of interdependencies.

First of all, are no substitute interdependencies between management control components within the management control package whatsoever.

Secondly, there are several complementary interdependencies. The complementary interdependencies are rather centralized on supporting a couple of core management control components.

Thirdly, in terms of management control components with the highest number of other management control components enhancing their benefits, limited use of exact specifications of methods and schedules and broad job descriptions are the clear leaders. This is explained by their role in establishing the primary logic of nurse's work in the nursing home. Clan control also has notably many such influences as the norms that are upheld by clan control are shaped by various management control components.

Fourthly, in terms of management control components that enhance the benefits of the highest number of other management control components, clan control and communication and information storage practices are the leaders. This is in line with the view of all the interviewed employees that management control components related to communication and interaction are the most significant and influential ones in the nursing home.

Finally, two management control components, open and compact physical premises and symbols, don't have any identified influence on other management control components within the management control package. However, this is due to the nature of the management control components as something that passively exists and influences other management control components by facilitating them or emphasizing certain qualities.

However, the number of interdependencies alone doesn't tell everything about the extent of fit and usefulness of a management control component within the control package. The reason for this is that some controls are very specialized in their role.

For example, separation of mandatory tasks and other tasks and instructions for non-routine events are specifically meant to provide more focus to employees in carrying out autonomy, and thus their lack of other interdependencies isn't caused by lack of fit but specialization.

However, it's also true that the core management control components need to have sufficient interdependencies to enable them to support or be supported by other management control components.

All in all, the functionality of the control package has to be analyzed and described in more detail beyond the number of different types of interdependencies.

## **7.2. The overall functionality of the management control package**

As the end of previous section remarked, knowing the number of interdependencies isn't enough to tell the whole picture about the functionality of a management control package. Thus, in order to be able to properly explain the overall functionality of nursing home X's management control package, this segment will extend the analysis beyond identifying and describing of individual interdependencies to encompassing the nature and role of each

management control component and interdependency in explaining how the management control package functions.

Below this paragraph is a picture where management control components are divided into categories. The division is based on the role of each management control component in the management control package in both fulfilling their role per se and influencing the benefits of other management control components within the package. As a whole, this summarizes how the functionality of the management control package of the nursing home is shaped.

Below the table, the categories and management control components included in them are described to elaborate on their role, focusing on one category at a time.

**Figure 1 – The overall functionality of the management control package**

|   |  |                        |         |
|---|--|------------------------|---------|
| <b>Upholding the resulting norms among employees</b>  |  |                        |         |
| Clan control  |  |                        |         |
| <b>Shaping employees' tendencies and abilities to favor certain behaviors</b>                                     |  |                        |         |
| Training  | Non-financial rewards and compensation |                        |         |
| Values  | Mission                                | Strategy               | Symbols |
| <b>Upholding sufficient flow of information and situational awareness</b>   |  |                        |         |
| Communication and information storage practices   |  |                        |         |
| Open and compact physical premises  |  |                        |         |
| <b>Increasing prioritization of the right tasks and selectively ensuring use of the right methods and timings</b> |  |                        |         |
| Separation of mandatory tasks and other tasks   |  |                        |         |
| Instructions for non-routine events   |  | The intermediate shift |         |
| The few exact specifications of methods and schedules   |  |                        |         |
| <b>Establishing autonomy and flexibility as the prevailing approach</b>   |  |                        |         |
| Broad job descriptions  |  |                        |         |
| Limited use of exact specifications of methods and schedules  |  |                        |         |

### **7.2.1. Upholding the resulting norms among employees**

#### Clan control

The first category of management control components consists only of clan control.

The nature of clan control is for employees to strive to correct each other's behavior so that it adheres to the norms of the workplace. The contents of the norms that are upheld by clan

control are the result of various management control components together, such as how regulations establish certain logic to be followed, budgeting establishes financial constraints to be adhered to and values establish certain principles to be respected.

While clan control is a special case among management control components in that it is only useful to the extent other management control components fail to accomplish desired behavior directly, clan control still serves a clear purpose within the management control package and its proper functionality is shaped by various different management control components together.

### **7.2.2. Shaping employees' tendencies and abilities to favor certain types of behaviors**

Like was mentioned above, the functionality of the management control package in the nursing home doesn't necessarily hinge on having employees observe and correct each other's behavior through clan control. The reason for this is that there are several management control components in place that directly fulfill the role of creating and upholding a strong tendency to behave according to the norms and regulations.

#### Non-monetary rewards and compensation

Non-monetary rewards and compensation uphold commitment and wellbeing of employees. A sufficient level of commitment and wellbeing are important as they determine the level of intensity of efforts exerted by nurses in their work and its duration.

*"Well, it definitely is always like that in work, the more committed you are and the more motivated you are, the better you will succeed in your entire job, and particularly here, it definitely affects it very much, if you aren't committed to this then that necessarily doesn't lead to anything positive, so yes, it's in a way part of this job."* Nurse

Sufficient commitment and wellbeing are especially important since there are major challenges that stem from the heavy responsibilities and difficult tasks involved in the occupation.

*"Sometimes there are more difficult days and sometimes it's a better day and such..."*  
Nurse

*"...this work is so responsible...."* Practical Nurse 1

Regarding sufficiency of rewards and compensation in the nursing home, it must be noted that there are no monetary rewards and compensation arrangements beyond the base salary in use. Part of the reason for the lack of monetary bonuses is in lack of controllability.

The lack of monetary bonuses isn't without its issues. While the main motivator for nurses isn't money, the interviewed nurses consistently bring up that they consider their salary to be too low in relation to the demanding nature of their work. Furthermore, it's brought up during the interviews that a monetary bonus system could be beneficial for increasing motivation.

*"And of course the salary should be much higher in nursing, this is so responsible, so relative to the level of responsible this is a poorly paid occupation."* Practical Nurse 1

*"Of course I also believe that if we at some point get some sort of proper reward system into this system, then it definitely would further motivate people to do their work even better."* Head of Service

*"In my opinion a cash bonus kind of encourages and motivates much more..."* Nurse

But despite these issues, the non-monetary rewards and compensation in the nursing home such as positive feedback, displays of gratitude, opportunities to influence own work and certain employee benefits appear to manage to accomplish the role of enhancing and maintaining nurses' wellbeing and commitment reasonably well.

*"...but when it comes to salary, they aren't very enthusiastic with encouraging on that front, but by other means then."* Nurse

*"But the majority here are good, responsible nurses."* Practical Nurse 1

*"...we now have a pretty good group here, everyone is such that they participate and so..."* Practical Nurse 2

### Training

Training is utilized for providing employees with skills, knowledges and perspectives that are needed for ensuring that they are capable of carrying out nursing autonomously in a proper and efficient manner. Training is also utilized for spreading information about values, mission and strategy in order to make them function better. Both of these



influences create specific tendencies in employee behavior towards the right tasks at the right time with the right methods and attitude.

The role of training in promoting greater utilization of autonomy and flexibility is visible in that there have been trainings that are specifically about making employees more attuned to a working environment where everyone has considerable freedom in determining which task should be prioritized and how they go about carrying out said tasks.

*”But then we had them (trainings) where we were given the chance to by ourselves think about these things and how everyone is different and everyone has their own style, but that the tasks still get done, and then in a sense that what are the things that we kind of must pay attention to and then what are those less significant matters.”* Practical Nurse 2

### Values, mission and symbols

Although their impact isn’t considered major by any of the interviewed nurses, values and mission can be seen to subtly influence employees so that they tend to favor certain types of behaviors. That is, they define certain behaviors and traits that are encouraged and promote them and at the same time define certain behaviors and traits as unacceptable and discourage them.

Symbol control is different from values and mission but related to them. While symbols aren’t something to be conveyed like values and mission but something that conveys, what they convey is namely the values and mission.

While the symbol control in the nursing home appears to largely exist as a convenient byproduct of the arrangements for making the interior homelike and enjoyable for residents, they still were identified in the interviews as a factor that promotes the values and mission.

### Strategy

Nurses don’t participate in formulation of the strategy in the nursing home. However, the strategy isn’t considered to be a major influence on employee behavior. Due to its rather distant position, the functioning of the strategy statement as a form of management control in the nursing home basically comes down to being similar to mission and vision; it relays

a general sense of direction and principles to contribute to creating tendencies to carry out nursing and treat residents in a certain manner.

### **7.2.3. Upholding sufficient flow of information and situational awareness**

Without having the management control components in place for facilitating sufficient situation awareness for nurses to be able to identify the right tasks and residents to focus on at each time, the benefits of the autonomy and flexibility that are inherent to the nursing home's arrangement can't be properly realized even if they were to hold the right tendencies and abilities.

#### Communication and information storage practices

Exchanging information when shifts change and the information storage systems both directly contribute to keeping all nurses up to date on the current condition of each resident and the current circumstances at the nursing home. This enables informed decisions regarding which residents should be attended to and in what manner.

#### Open and compact physical premises

The open and compact physical premises improve nurses' situational awareness directly by enabling them to observe as much of who is inside the nursing home at the time and what they are doing, including both residents and fellow employees. This enables prioritization of the right tasks and ability to faster react to sudden changes of situation.

### **7.2.4. Mitigating risks and increasing effectiveness regarding prioritization of tasks and selection of methods and timings**

Although there are several management control components in the nursing home whose role is to influence employees' tendency to act in certain matter, there are areas where more concrete and specific guidance is needed. While the main logic of how work is to be approached by employees in the nursing home one of autonomy and flexibility, these regulations and arrangements ensure that certain tasks are carried out in a specific way and that certain aspects receive adequate focus.

#### Separation of mandatory tasks and other tasks and the intermediate shift

Both of the two management control components guard against the risk of having the most critical tasks overlooked by nurses due to having their attention taken by less critical tasks.

### Instructions for non-routine events and the few exact specifications of methods and schedules

Instructions for non-routine events guard isn't about providing sufficient focus like the two above arrangements, but it guards against the risk of having employees not know how to respond quickly and appropriately in cases of irregular emergencies.

The few detailed schedules and instructions that are in use in the nursing home are concerned with specific tasks where even small mistakes can cause major complications such as administration of medication and treatment of wounds.

### Budgeting and non-financial measures

Cybernetic control in the nursing home encompasses budgeting and non-financial measures. As outcomes are discussed and reviewed, employees are guided to focus their attention towards critical priorities and problem areas in order to continually improve the effectiveness and efficiency of their behavior.

### Operational plans

Operational plans, especially service and treatment plans, play an important role in relaying objectives and priorities to employees to guide their behavior to focus on the right priorities.

### **7.2.5. Establishing autonomy and flexibility as the prevailing approach**

The role of all other management control components within the management control package is only meaningful in the context that is established by the core management control components. The role of other management control components is to either enhance the functionality of these core arrangements in achieving desired behaviors and results or mitigate risks involved in them.

Said core management control components are the ones that directly establish flexibility and autonomy as the primary logic of how tasks are to be approached.

Broad job descriptions and limited use of exact specifications of methods and schedules and

Nurses' job description is not only broad but even regularly exceeded in practice as everyone participates in carrying out the multitude of tasks that are needed to ensure residents' wellbeing. This means that the nature of broad job descriptions isn't only to specify certain types of tasks to be carried out by certain groups but they encourage comprehensive and flexible participation. The notable scarcity of exact specifications of methods and schedules serves to establish a high degree of autonomy and flexibility.

As a combination, broad job descriptions and the limited use of exact specifications of methods and schedules provide nurses with several options to seek and utilize the most efficient working methods and habits and thus set autonomy and flexibility as the prevailing logic of how tasks are to be approached and carried out in the nursing home.

## 8. Conclusions

This study set out to address a gap in management control literature regarding management control in non-profit organizations. More specifically, this study is concerned with the relationship between the nature of an organization's non-profit or for-profit objective and functionality of the entirety of its management control package.

In order to be able to approach this topic, a very specific research setting was required. To this end, this study's case organization was selected to be a private for-profit nursing home whose business is to provide public nursing home services for a municipality. This research setting provides an opportunity to match for-profit organizational objective with activities that are identical to those of a non-profit public service provider. This match makes it possible to gauge the impact of the organizational objective per se in explaining the functionality of an entire management control package.

The research question was determined to be to examine whether or not the case organization, in terms of the entirety of its management control package, suffers from management control issues akin to those that prior literature attributes to non-profit organizations.

In the case nursing home, a series of semi-constructed interviews with key personnel was conducted in order to map out all factors that influence the way employees behave in the nursing home. After a thorough analysis of the gathered data, a complete picture of the nursing home's management control package and its functionality could be formed.

First of all, the analysis revealed several complementary interdependencies where one management control component enhances the benefits of another.

Secondly, there are no substitute interdependencies among management control components within the nursing home's management control package. While some management control components play such a significant role that they make the impact of certain other management control components less visible or necessary, they don't reduce their ability to influence employee behavior.

Thirdly, further analysis revealed that the management control components could be grouped into different categories based on their main role in reinforcing benefits of other

management control components and facilitating overall functionality of the management control package. There are five categories, but the main distinction is between the core management control components that establish autonomy and flexibility and supportive management control components that enhance its benefits and mitigate its risks.

As a whole, the analysis suggests that management control package of the nursing home is highly functional. The core management control components have their benefits majorly improved and have their risks kept in check thanks to complementary interdependencies among management control components within the management control package. At the same time, there are no substitute interdependencies that would hinder the management control package's functionality.

The high level of functionality means that the management control package manages to enable flexible behavior and solutions from employees, as is required in order to best carry out the nursing home's customer value proposition. In other words, the management control package guides, encourages and enables employees to carry out nursing in a way that strongly responds to the needs and wants of the residents and strives to make their everyday life as homelike and free of imposed schedules as possible in a manner that is mindful of the financial constraints.

To answer to the research question based on the analysis, the private for-profit nursing home X doesn't face major management control issues as would be characteristic to non-profit organizations despite activities that are identical to those of a non-profit public service provider.

The answer to the research question indicates that there is no major causality between typical non-profit activities and the functionality of management. This goes against prior literature's explanation that the issues that plague management control in non-profit organizations are due to the non-profit, indirect and public value of their activities.

However, the matter remains that it has been broadly observed that management control is in a weaker state in non-profit organizations compared to for-profit organizations. Even the interviews in the case organization support this notion with mentions of prevalence of "hospital-style" nursing in public nursing homes, indicating that it's common for public nursing homes to have management control packages where employees are subjected to

management control packages where management control components substitute each other in a way that creates obstacles for behavior that would drive success.

While this study's analysis shows no signs of causing such issues, the research setting highlights another possible explanation for management control issues in non-profit organizations aside from the nature of activities; the nature of their organizational objective. This points towards is the possibility that a non-profit organizational objective per se, regardless of the characteristics of activities, could hinder an organization's ability to develop a management control package with a high level of overall functionality compared to a for-profit organizational objective.

The logic behind the relationship between the nature of an organization's objective and ability to achieve a highly functional management control package could be found from differing extent of clarity and unambiguity. This is consistent with what Kaplan and Norton (2001) demonstrate about the level of complexity and ambiguity of strategy in non-profit context using the strategy map construct; the multifaceted organizational objective of a non-profit organization where numerous aspects of the entire mission have to be treated in parallel as the primary objective causes issues with drawing straightforward cause-effect relationships across the entire organization compared to for-profit context where the financial perspective alone has clear primacy.

This line of reasoning suggests that the difficulties faced by the non-profit side could be caused by difficulty of execution compared to the for-profit side. It's possible that the relative lack of clearly established priorities makes it difficult to define the cause-effect relationships across all activities that would guide throughout the management control design process. In this way, the higher level of ambiguity and complexity involved could potentially harm non-profit organizations' prospects of achieving highly functional management control packages with where a high extent of complementary interdependencies is achieved while substitute interdependencies are minimized.

It must be noted that this study some has severe limitations. First of all, this study is a case study, one that only encompasses one organizational unit at that, and therefore the results cannot be reliably generalized. Secondly, due to the very fragmented and incomplete state of prior research on the topic of management control in non-profit organizations, there is very little that can be done regarding comparing the findings with other, comparable case

studies. Thirdly, there are other factors that can explain the functionality of the management control package but can't be isolated in analysis, such as differences in contents of legislation and level of financial stability.

The first two of these shortcomings can be addressed with further research on the topic to complement this study. In particular, a corresponding study in a public non-profit nursing home of a municipality would provide a direct comparison that greatly increases the reliability of this study. The logic for this is that comparing the characteristics of management control packages when one organization is non-profit and the other is for-profit but the nature of the activities is identical would go a long way in helping confirm or reject this study's assertion regarding a potential relationship between nature of an organization's objective and the functionality its management control package.

Furthermore, for the sake of confirming whether ability to achieve such high functionality in terms of the entire management control package is common in public service provision by for-profit organizations, there's a need for corresponding studies in other for-profit organizations similar to the one in this study.

Only after such consequent studies would it become possible to truly make conclusions regarding what kinds of differences exist. But as it is now, due to the limitations, the results of this study should only be taken as a possible indication that there could be something worthwhile to be explored regarding the relationship between an organization's for-profit or non-profit status and the degree of functionality of its management control package.

Aside from the abovementioned matters that pertain to answering the actual research question of this study, there are a couple of other observations that emerged during analysis that could also benefit from further research.

The first observation is that many of the interdependencies between management control components in the nursing home are asymmetrical. This means that even if management control component A enhances the benefits of management control component B, management control component B doesn't necessarily enhance the benefits of management control component A. In theory, this also implies that it should be possible for an interdependency to exist where, for example, management control component C enhances



the benefits of management control component D but management control component D reduces the benefits of management control component C.

In the same vein, interdependencies often consist of multiple simultaneous effects. For example, management control component E can increase the benefits of management control component F through function G and function H. In theory, this suggests that it should be possible for the same management control component to simultaneously have both benefit-enhancing and benefit-reducing influences on another management control component, making it difficult to clearly classify said interdependency as either a complementary or substitute one.

Both of the above observations suggest that there might be a need for further research to improve the definition of interdependency among management control components to be nuanced enough to take into account that an interdependency cannot necessarily be classified to strictly be either a complementary or substitute one but one that has qualities of both.

As another supplementary conclusion aside from the primary ones, the analysis that was undergone in this study has helped confirm the vital importance of the management control package approach as opposed to focusing on study of individual management control components. In analyzing the case organization, it was clear that the usefulness of any individual management control component couldn't be fully understood without examining its position in relation to other management control components within the management control package. Additionally, this study has helped confirm the usefulness of the typology of Malmi & Brown (2008) in facilitating empirical research of management control packages.

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